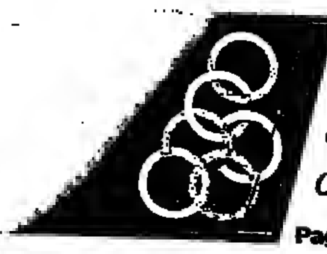
FINANCIAL TIMES



Olympic Airways
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Old habits die hard
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World Business Newspaper — WEDNESDAY OCTOBER 11 1995 — D8523A

Lloyds and TSB merger may give savings of $620m

The announcement today of the terms of the planned merger in the UK between Lloyds Bank and TSB Group is expected to say that the combined group plans savings of almost £400m ($620m) annually within a few years. The commitment to cost savings is an important element in convincing shareholders of tha rationale for the deal which would create a Lloyds TSB Group with the most extensive high street presence and largest personal customer base of any UK bank. Page 20

UK prime minister John Major has privately warned party activists that he could be forced to call an election at any time because of the fragility of the government'a majority. Conservative party conference reports, Page 8

Murdoch warns on profits at News Corp

News Corporation boss Rupert Murdoch (left) warned shareholders that his international media and entertainment company's first-quarter profits would be flat and said there were no plans to raise dividend payouts. He blamed tha escalating price of newsprint and was was only slightly more optimistic about full-year results. Page 15; News Corp raises stakes in Star Television gamble, Page 17

North Korea celebrates anniversary: Kim Jong-il confounded predictions by failing to assume formal control of North Korea as it celebrated the 50th anniversary of the ruling Korean Workers' party. Analysts had suggested the occasion would be used to name Kim as party general secretary, the country's most powerful position, to succeed his father, President Kim Il-sung, who died in 1994.

Daimler-Benz to sell off AEG Low-Voltage: Daimler-Benz is to sell its loss-making AEG Low-Voltage business to General Electric of the US as part of the German industrial group's strategy of shedding non-core businesses. Page 15

Brussels forecasts big unemployment cut: The European Commission is hitting back against criticism that monetary union is deflationary and destroys jobs. It predicts that EU unemployment can be halved by 2000. Page 2

Bank of Japan takes to a more active life: After several years characterised by a somewhat sluggish central bank response to Japan's long recession, Bank of Japan officials are pulling every lever at their disposal to pump life into the economy. Page 7

Exporters resist moves to single currency: More than half of all UK based exporters are opposed to a single European currency, according to a business survey. Page 8

Weyerhaeuser 93% net income jump: US integrated forest products group Weyerhaeuser kicked off the paper sector third-quarter reporting season with a 93 per cent jump in net income, before an accounting change. Page 19

UK cash to lure expatriate entrepreneurs: The British government is trying to attract back some of the 200,000 people who left Northern Ireland in the past 25 years by encouraging them to start their own businesses. Page 9

Hoechst US arm signs biotech deal: Hoechst Marion Roussel, US-based drugs arm of German chemical company Hoechst, has signed a deal worth up to $150m with Cell Genesys, a Californian biotechnology company. Page 19

Portugal's prime minister Anibal Cavaco Silva has announced his candidacy for the presidential election in January after the decisive defeat of his centre-right Social Democrats in a general election last week. Earlier report Page 2

Brussels delay on shipbuilder: The fate of Hellenic Shipyards, illegally subsidised Greek shipbuilder which the European Commission has threatened to shut down, is not likely to be decided for a further three months. Page 8

World Bank chief promises less arrogance: James Wolfensohn, new president of the World Bank, promised a less arrogant institution working in partnership with member governments instead of imposing its views on them. Page 4

Greek PM faces growing calls to retire: Greece's prime minister, Andreas Papandreou, 76, will confront rebels in the governing Panhellenic Socialist Mnvement who want him to resign in favour of a younger and healthier leader. Page 3

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,692.26	(-33.96)
NASDAQ Composite	974.88	(-9.86)
Europe and Far East		
CAC40	1,777.96	(-7.75)
DAX	2,138.77	(-29.92)
FT-SE 100	3,460.1	(-50.2)
Nikkei	closed	

■ US LUNCHTIME RATES

Federal Funds	5 13/16%
3-mth Treas Bills: Yld	5.44%
Long Bond	106 1/16
Yield	6.42%

■ OTHER RATES

UK: 3-mo Interbank	6 3/4%	(6 23/32%)
UK: 10 yr Gilt	102 13/32	(102 1/2)
France: 10 yr OAT	101.14	(100.911)
Germany: 10 yr Bond	101.98	(102.01)
Japan: 10 yr JGB	113.625	(same)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$15.90	(15.92)

■ GOLD

New York: Comex		
(Dec)	$387.6	(387.8)
London:		
close	$385.2	(384.5)

■ DOLLAR

New York: lunchtime		
£	1.5785	
DM	1.41655	
FFr	4.96	
SFr	1.145	
Y	100.455	
London:		
£	1.5776	(1.5848)
DM	1.4176	(1.4119)
FFr	4.9895	(4.9575)
SFr	1.1471	(1.1406)
Y	100.55	(100.3)

■ STERLING

DM	2.2364	(2.2375)
Tokyo :	closed	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.80
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

Markets shaken as Novell and Motorola statements trigger jitters across the sector

Earnings fears hit technology shares

By Maggie Urry in New York, Louise Kehoe in San Francisco, Hugh Carnegy in Stockholm and Our Markets Staff

Fears of a plunge in US technology shares shook world stock markets yesterday.

Although the immediate causes were disappointing earnings statements from two high-technology companies, Novell and Motorola, and signs of a moderation in the rate of growth of semiconductor sales, market strategists said there was widespread concern over earnings growth from the technology sector as a whole.

Mr David Shulman, market strategist at Salomon Brothers, the US broker, said the technology sector was suffering "a severe case of earnings jitters. Expectations for earnings ran ahead of what the companies could deliver."

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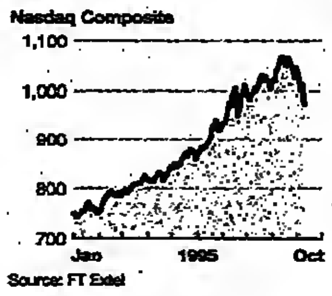
Motorola hit by fears on market growth..........Page 15
Wall Street and the shakeout in technology..........Page 15
World stocks ....Page 34

The Dow Jones Industrial Average dropped more than 66 points in the first 15 minutes of trading yesterday, after a fall of nearly 43 points on Monday.

This unsettled afternoon trading in the London stock market, where the FT-SE 100 index lost 50.2 or 1.4 per cent to close at 3,460.1. Other European stock markets were also affected by falls in technology stocks.

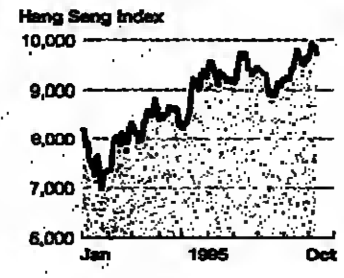
The US Nasdaq market, which has a heavy weighting in technology stocks, was hit harder. The Nasdaq index fell nearly 28 points (or almost 3 per cent) to 956.98 at the start, more than 10 per cent below its 1995 closing high of 1,067.41 on September 13.

US
Nasdaq Composite

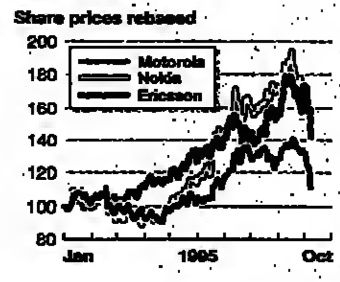


Source: FT Extel

Hong Kong
Hang Seng Index



High-tech stocks
Share prices rebased



As trading progressed the Dow recovered some poise, and by late afternoon it was down just 15 points while the Nasdaq was some three points down.

Late on Friday, Novell, which makes software for personal computers, said its profits had been affected by its rival Microsoft's launch of Windows '95 and would be below market expectations. That hit Novell's shares on Monday.

Motorola warned in its third-quarter earnings statement, released after the market closed on Monday, that the rate of sales growth of cellular telephones was slowing and prices were falling.

Motorola's warning hit shares in Ericsson and Nokia, the Nordic groups highly exposed to mobile telephony.

Ericsson's most-traded B shares fell SKr10 to SKr138 in Stockholm before recovering to close at SKr140, while in Helsinki Nokia A shares slid FM20 to close at FM252. The weight of Nokia on the Helsinki exchange – where it accounts for about 40 per cent of total market capitalisation – pushed down the Hex index by 4.75 per cent.

Other European technology shares joined in the fall. In Amsterdam, Philips fell Fl3.40 to Fl68.10; in Germany, SAP, the software group, dropped DM8 to DM214; and, in Brussels, Barco, the electronics group, was down BFr120 to BFr3,330.

Adding to the concern was a drop in the US semiconductor industry's "book-to-hill ratio", a leading indicator of chip market trends.

The ratio, which measures new orders booked versus shipments, fell to 1.11 in September, down from 1.17 in August.

Although this represents a slowing of growth, September sales of chips reached an all-time record of $4.06hn, seasonally

Continued on Page 14

Clinton sees end to Mexico's economic troubles

By Nancy Dunne in Washington and Leslie Crawford in Mexico City

US president Bill Clinton and Mexican president Ernesto Zedillo yesterday began a one-day summit with a prediction that Mexico's economic troubles would soon be over.

"The Mexican economy has turned the corner and the markets have taken notice," said Mr Clinton, welcoming Mr Zedillo on his first visit to Washington since he took office in December.

The optimism in Washington was not reflected in Mexico City, where nervous trading in the financial markets undermined stock prices and the peso. The Mexican currency fell to its lowest point since late March, trading at 6.82 to the dollar against 6.65 on Monday. The stock market was down 1 per cent at midday, following its 3.84 per cent fall on Monday.

However, the two presidents praised each other for their handling of Mexico'a financial crisis, sparked by a mishandled devaluation last December.

Mr Clinton landed Mr Zedillo for embarking upon "a course of political and economic transformation". He welcomed the $700m cheque Mr Zedillo brought as a payment on the $12.5bn Mexico borrowed from the US in an international rescue package.

"You, President Zedillo, rose to your daunting challenge with courage and determination. You implemented hard measures to stabilise the economy, while holding to the road of reform," Mr Clinton said.

Mr Zedillo praised Mr Clinton's "international leadership, vision and courage" for preventing "the crisis from becoming a problem of world scope".

Both leaders sought to promote the North American Free Trade Agreement. In the first seven months of the year Mexican exports to the US rose more than 29 per cent to a record $34.9bn, helped by the peso's devaluation.

The two also announced agreements to improve co-operation on drug trafficking, immigration and environmental co-operation to clean up their border.

In Mexico City, Mr Gustavo Terán of the brokerage Bursamex, said the markets had been unsettled by rows between politicians of the ruling Institutional Revolutionary Party.

Mr Terán, however, said he was hard-pressed to find any economic justification for the speculation against the peso.

Currencies, Page 25

Post office workers proclaiming opposition to privatisation march in central Paris against government plans for a 1996 wage freeze. Police estimated that 22,000 demonstrators were involved while the unions put the figure as high as 100,000. Picture: Reuter

French turn strike over wage freeze into festive affair

By Andrew Jack in Paris

The issues may have heen serious, but the thousands of striking French pubbic sector workers who protested across the country yesterday knew how to enjoy themselves.

There were jazz bands and balloons, singing and slogan chanting, as public employees celebrated their largest strike in a decade. "Mr Chirac has dared us, so we have responded," said one marcher, protesting against government plans for a wage freeze.

Police estimated that 22,000 marched in central Paris, while union organisers put the figure at between 50,000 and 100,000. They walked from the symbolic revolutionary rallying point of the Bastille to the church of Saint Augustin in the city centre.

Elsewhere, Paris lacked its normal weekday bustle. A shortage of public transport services kept many private sector workers at home, and limited tourists' ambitions. By 8.30am, a public transport information service had received 28,000 calls from commuters asking if they should attempt to travel across Paris.

Twelve of the 15 metro lines in Paris were closed, and services on the TGV high-speed train lines were reduced to a quarter of the normal level. Five airports were shut as air traffic controllers stayed away from work.

The strike was another challenge for the government of Mr Alain Juppé, which wants to introduce the pay freeze in an attempt to reduce the country's budget deficit. Public sector wages account for about 40 per cent of the French budget.

It has been a difficult week for Mr Juppé, who is also at the centre of controversy over the provision of cheap housing to his family members. It is expected prosecutors will decide today or tomorrow whether a formal investigation should be launched.

The strike brought together the five main federations of France's union movement, plus two public sector unions. The last mass action, in 1986, was also aimed at a partial pay freeze, imposed hy the prime minister, Mr Jacques Chirac, who is now president.

The French Post Office said 57 per cent of its workers had gone on strike, and France Télécom said about 64 per cent had not shown up for work. The government estimated that 55 per cent of civil servants joined the strike.

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An opinion poll published in the Parisien newspsper suggested that 57 per cent of French people supported the strike.

There was little sign of the government caving in. Mr Jean Puech, minister for the civil service, said yesterday that "my door is always open for a real discussion" but said the strike was "not at all justified".

But Mr Marc Blondel, leader of the Force Ouvrière union, said yesterday's strike would be followed by another hy French workers unhappy with the government's "harsh" policies.

Bosnia ceasefire hopes rise after power switch-on

By Harriet Martin in Sarajevo, Laura Silber in Belgrade and Paul Wood in Banja Luka

The UN was confident last night that a US-sponsored ceasefire would come into effect today following the partial restoration of Sarajevo's power supplies, which had been a precondition for the 60-day truce.

Russian gas supplies trickled into the Bosnian capital, and electricity was restored to parts of the capital after damaged cables were replaced. Traffic lights in the city centre functioned for the first time in nearly six months.

Meanwhile, the UN said yesterday Mr Yasushi Akashi, the senior UN envoy to ex-Yugoslavia who been widely perceived as soft on the Serbs, would be replaced by Mr Kofi Annan, a Ghanaian diplomat who currently heads the UN department of peacekeeping operations.

US officials, who had been among Mr Akashi's strongest critics, applauded the change. One official said there were hopes that the change would "improve co-ordination between the US, the UN, and Nato" on the crisis in the Balkans.

The ceasefire, which was expected to begin early today, is intended as the starting point for broader peace talks, including negotiations in the US later this month and a conference in Paris to seal a peace agreement.

Mr Malcolm Rifkind, UK foreign secretary, said yesterday that Britain would convene a "peace implementation" conference before any peace accord is signed.

"This will ensure that when the ink dries on the peace treaty, the peace implementation force, the reconstruction agencies and those who will supervise the elections can get on with their work immediately," be said.

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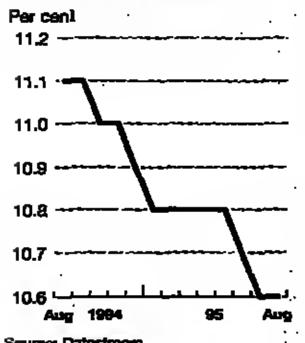
Brussels forecasts big unemployment cut

EU unemployment rate



Source: Datastream

By Caroline Southey in Brussels

The European Commission is hitting back against criticism that monetary union is deflationary and destroys jobs. It predicts that EU unemployment can be halved by the year 2000.

In a paper to be delivered today the Commission predicts that the unemployment rate could be cut from 10.7 per cent to 5 per cent by the end of the decade if investment-led growth of 3-3.5 per cent is achieved and member states stick to the convergence criteria for monetary union and continue to pursue structural reform in the labour market.

The Commission's bold claim comes as concerns are growing in the Union over whether member states can meet the convergence criteria and whether public support for the policies can be sustained.

"What we need is a little bit of confidence," an EU official said. "That is not to say we have solved the unemployment problem. But if we stick to the plans we will see a significant improvement."

The scenario, outlined in a paper prepared jointly by Mr Padraig Flynn, the commissioner for social affairs, and Mr Yves-Thibault de Silguy, commissioner for economic and financial policy, reflects the Commission's twin-track approach to tackling unemployment by bringing together the disciplines of economic and social policy.

On the economic front the paper argues that there is room for optimism because inflation is lower in the EU than at any time in the past three decades, company profits are high and the Union is enjoying a healthy trade balance.

"All these factors, taken together, mean that the basic conditions for growth and new jobs are better than they have been for 20 to 30 years," says the report.

Economists, however, are sceptical that the Commission's economic forecasts can be achieved. Mr Ian Harwood, international economist at Kleinwort Benson in London, says the EU is "extremely unlikely" to meet the Commission's growth forecast. He believes that inflation will remain subdued "because economic growth is below par".

On the social front, the report points to evidence that member states are beginning to reform social security and pension systems and that changes to collective bargaining arrangements are helping to lower wage expectations.

However, the report also issues a number of warnings. The scenario could be blown off course by "external shocks", such as a further weakening of the dollar against Union currencies and further intra-EU currency turbulence.

It warns that growth and employment prospects would be severely damaged if member states abandon their commitment to meeting the criteria necessary for monetary union on budget deficits, debt, inflation and interest rates.

It also warns member states that jobs will only be created if increased efforts are made to improve investment in vocational training, reduce non-wage labour costs and put in place more active labour market policies.

Cavaco Silva sets his sights on presidency

By Peter Wise in Lisbon

Mr Anibal Cavaco Silva, Portugal's prime minister since 1985, was last night scheduled to announce his candidacy for the presidential election in January after the decisive defeat of his centre-right Social Democrats (PSD) in a general election last week.

The tough-minded economist joins Mr Jorge Sampaio, the Socialist mayor of Lisbon, as the second prominent candidate to launch a campaign to succeed President Mário Soares, a Socialist, who is not constitutionally eligible for a third consecutive term.

Mr Cavaco Silva's decision to step down from the PSD leadership last February, as the party's prospects of winning the general election diminished, was seen as paving the way for a presidential run.

The outgoing prime minister, 56, is entering the presidential race at a disadvantage after accepting much of the responsibility for the PSD's defeat by the Socialists (PS) in the general election, when his party's share of the vote fell to 34.1 per cent from 50.4 per cent in 1991. Mr António Guterres, the Socialist leader, is expected to name his full cabinet tomorrow.

The Socialists fell just short of an outright majority in parliament but won enough seats to form a stable government. Mr Cavaco Silva is clearly hoping that Portuguese voters will continue to show a long-standing preference for electing presidents from the party opposing the government, so that each acts as a counterweight to the other.

But opinion polls indicate that he would lose to Mr Sampaio, 55, in a run-off between the two leading candidates, three weeks after the first round of voting scheduled for January 14.

Under Portugal's "semi-presidential" constitution, the president has no executive power but plays an important role as a political arbiter, with powers to veto legislation as well as to dissolve parliament and appoint governments to resolve political crises.

Mr Cavaco Silva, who has acknowledged his preference for executive power, lacks the profile of a national symbol of tolerance and unity that has won enormous popularity for President Soares, 70. However, Mr Soares launched his first presidential campaign from a much worse position in the opinion polls and after a heavier general election defeat for the Socialists.

As prime minister, Mr Cavaco Silva indirectly accused Mr Soares of intervening in party politics in an attempt to influence the outcome of the general election.

But as a presidential candidate his pledge is to co-operate fully with the Socialists whose pro-European economic policies he shares.

Crossed swords: Silvio Berlusconi (left) and Antonio Di Pietro are embroiled in a public slanging match AP

Di Pietro's political ambitions revealed in attacks on Italy's former prime minister

Public clash undermines Berlusconi

By Robert Graham in Rome

Mr Silvio Berlusconi, the former Italian prime minister, has been badly bruised in a public row with Mr Antonio Di Pietro, the former Milan magistrate responsible for bringing the corruption scandals into the open.

The row, which shows no sign of abating, could have important repercussions on Mr Berlusconi's political standing. It has also thrown into stark relief the political ambitions of Mr Di Pietro, who resigned as a magistrate last December.

The two first crossed swords on Sunday when Mr Di Pietro accused Mr Berlusconi, in an open letter published in a newspaper, of having betrayed the electorate. He said he had fully identified with the ideals of Mr Berlusconi's Forza Italia which pledged last year to renovate Italy. Instead, the media magnate turned politician had fobbed electors off with "a load of rubbish" without bringing in any new ideas.

He also demolished comments by Mr Berlusconi who claimed the "persecution" of him and his Fininvest empire by Milan magistrates meant Italy had become a police state. Rather, Mr Di Pietro said, the fault lay with Mr Berlusconi for failing to resolve the conflict of interest between his role as a politician and his ownership of Fininvest.

Political commentators immediately saw this attack on Mr Berlusconi as a clumsy attempt to stake a claim either to the leadership of Forza Italia or a new centrist grouping.

The letter coincided with increasing leadership problems for Mr Berlusconi within his rightwing alliance, and before an impending decision by the Milan judiciary on whether to send the former premier for trial on corruption charges.

That Mr Berlusconi also recognised the challenge was evident from his angry reaction. He promptly replied with an open letter on Monday, accusing Mr Di Pietro of betraying his trust. Mr Berlusconi last year wanted to have Mr Di Pietro in his cabinet.

The former premier also made a number of insinuations about Mr Di Pietro's own judicial position. Mr Di Pietro is under investigation by Brescia magistrates for abuse of office, including the receipt of a car from a Milan business accused of a large insurance fraud.

Mr Berlusconi's reply was generally seen as counter-productive, even aiding Mr Di Pietro. Sensing this, the latter wrote a second open letter yesterday which pointedly said Mr Berlusconi lacked credibility.

With Mr Di Pietro still topping opinion polls, these exchanges are likely to damage Mr Berlusconi's image within Forza Italia. Matters have been made worse by the revelation that Mr Cesare Previti, a key figure in Forza Italia, was under investigation by Brescia magistrates for alleged blackmail of Mr Di Pietro.

Brescia magistrates are checking whether Mr Di Pietro was forced to resign from his investigative job in Milan because of blackmail over his alleged abuse of office. The day after his resignation, a justice ministry inspection of the Milan magistrature was called off without Mr Di Pietro even being questioned.

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How to make your mark in a single market

Robert Rice, Legal Correspondent, considers advantages and drawbacks of the European trademark

One of the last pieces of the jigsaw needed to complete the European single market will slot into place on April 1 next year, when the European trademark office in Alicante, Spain, opens officially for business.

With less than three months before it starts accepting applications for the "Community Trademark" on January 1, Mr Alexander von Mühlendahl, its vice-president, was in Britain last week to persuade businesses, trademark agents and legal advisers that they should use the Alicante office to protect brands across the European Union.

In theory his task should be simple. There are more than 3m registered trademarks in the EU. Each year the various trademark offices of the member states receive a total of almost 400,000 new applications, more than twice as many as in either the US or Japan.

About half are made by foreign companies. In 1993, for example, Britain's trademark registry received 16,950 applications from UK companies and 17,800 from abroad.

At present there are only two ways in which companies can protect their trademarks throughout the EU: by registering identical marks in each member state; or registering them at international level under the Madrid Agreement, the international accord on the recognition of trademarks set up more than a century ago.

International registration involves applying to the World Intellectual Property Organisation in Geneva on the basis of a trademark already registered in a country that is party to the Madrid Agreement. This route is available only to companies with headquarters or "a real and effective establishment" in a member country.

At the moment only about 40 countries are party to the Madrid Agreement including only nine EU member states. Japan and the US are not party to it; neither is Britain, although it recently ratified the trademarks protocol.

International registration under the Agreement, therefore, is not a complete answer, and making multiple applications to register identical trademarks throughout the EU is costly and time consuming for business.

The ability to obtain protection for a mark throughout the Union by making one application to Alicante should be an attractive proposition. In reality, however, the practical difficulties may dissuade many companies from using it.

The symbol for the European Union trademark

In Britain, for example, Ms Alison Brimelow, assistant registrar of trademarks, says the UK registry is on target to receive more than 80,000 applications this year. Over time, she expects to lose up to 20 per cent of her foreign applications to Alicante – but not more than that and not in the short term.

In fact, Mr von Mühlendahl expects only 15,000 applications for the EU trademark in the first year.

Companies are worried about two problems, in particular: fees and languages.

Alicante, a non-profit making body, has just announced its fee structure. The filing fee will be Ecu975 ($1,238) for three classes of goods and services; the registration fee for the three classes will be Ecu1,100; the registration of additional classes, Ecu200 each; an opposition fee from a third party, Ecu300; cancellation fee, Ecu700; the cost of appealing against any adverse decision, Ecu800; and the 10-year renewal fee, Ecu2,500.

The problem for companies is that the office will accept payment only in Ecus, not in the national currency equivalent. Moreover, it has no plans to set up bank accounts in all the member states and will require Ecu payments to be made into a bank in Alicante. This could place a considerable administrative burden on companies.

The languages problem arises because of the impossibility of running a technical office such as a trademark registry in all 11 official languages of the EU. As a compromise, the office chose five working languages: Spanish, German, English, French and Italian. This, however, prompted complaints from the Belgians and the Dutch, which eventually led to a watering down of the five-language rule.

Applications for a trademark can now be made in any of the 11 official languages of the EU, but any opposition proceedings or challenges to the mark after it has been registered must be made in one of the five working languages of the office. This means companies that file an application in their own language may have to choose a second language for any post-registration proceedings.

"It is not difficult to imagine German companies making their application in Dutch and choosing German as their second language to ensure that all opposition proceedings are conducted in their native language. So the viability of the system will depend on the sanity of the applicant," he says.

An EU trademark has to meet two conditions: it must be a sign that can be represented in graphic form; and it must make it possible to distinguish goods and services from those of another company. Names, colours, logos, acronyms, shapes, portraits, sounds, signatures and slogans all qualify.

Applications can be filed either directly to Alicante – in person, by post, fax or e-mail – or through a national trademark office. All the applicant has to do is to fill in the form available from the Alicante office, specify the list of goods and services in respect of which protection is sought, and enclose a reproduction of the mark.

Provided the application has not been withdrawn as a result of searches for conflicting EU trademarks, and provided the mark is distinctive and there are no absolute grounds for refusal – such as that the mark is a generic or customary term – the application will be published. Other companies then have three months in which to challenge registration.

Chirac in no doubt over Emu target

By David White in Madrid

President Jacques Chirac yesterday promised to keep France on track to meet the strict conditions set for launching the European single currency in 1999.

He said he was convinced "without reservation" that France would be able to fulfil the criteria for joining the next phase of monetary union within the timetable.

However, at the end of a two-day Franco-Spanish summit, he refused to comment on recent pressure on the franc or on yesterday's public sector strike against plans to freeze pay next year.

In talks between Mr Chirac and Mr Felipe González, the Spanish prime minister, both emphasised the need to stick to the criteria on public deficits, debt, inflation and interest rates. Both sides were also determined not to sow any doubt about their commitment to the 1999 deadline.

Spanish officials said Mr Chirac's firmness had to some extent relieved their worries that France would seek admittance to the single currency on political grounds, discriminating against Spain and other southern European countries which are expected to have difficulty meeting the criteria.

The Madrid government's anxiety to keep a close relationship with Paris was reflected in its efforts to play down the controversy over French nuclear testing.

Against a background of anti-French protests in the Spanish capital, Mr González said he understood public feelings about the tests but had not let himself be "carried away". As European Union president, Spain had to show "respect and solidarity" for fellow members.

He also made clear that there was no question of the Euro-Mediterreanean conference, due next month in Barcelona, being opened to include the US. France has particularly opposed US participation. However, the Spanish presidency is working on a formula to accommodate a low-key US and Russian presence.

Mr Chirac was accompanied by six of his ministers at the Franco-Spanish talks, an annual event set up during the Mitterrand presidency.

The two countries agreed to press ahead with plans for a high-speed train connection, including a new tunnel under the Pyrenees linking Perpignan with Figueres. Mr González said he was reluctant to set a firm deadline for the Pta40bn ($325m) project but hoped the Spanish section would be ready in 2004.

Ironically, the accord was signed on a day when rail services between Spain and France were cut off because of the French strike, and cross-border road traffic was held up because of the reintroduction of French frontier controls.

Ministers also agreed to pursue negotiations on the proposed sale to Spain of 15 Cougar military transport helicopters by the Franco-German Eurocopter company. Sikorsky of the US is also competing for the contract with its Black Hawk. Mr González said a decision on the deal – expected to be worth some $280m – would be made "very soon".

● Mr Chirac said yesterday he would meet his Algerian counterpart, President Liamine Zeroual, this month to try to convince him that only by widening democracy would Algeria resolve its bloody civil war. Mr Zeroual had asked to meet him in New York during ceremonies on October 22-23 marking the 50th anniversary of the United Nations, he said.

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EUROPEAN NEWS DIGEST

Turkish union rejects coalition

Turkey's main union confederation yesterdsy called thousands of workers to a rally this weekend to sway s confidence vote against the new minority government.

Prime minister Tansu Çiller faces a vote of confidence on Sunday and two small parties have made their backing for Mrs Çiller conditional on a just resolution of a public-sector workers' strike. The strike, begun on September 20 over the government's initial 1995 pay offer of 5.4 per cent now involves 335,000 workers, the Turk-Is labour confederation said. Inflation for the year is expected at around 70 per cent. Mr Bayram Meral, leader of Turk-Is, said the revised rises offered on Monday – 11.6 per cent for the next six months and 8.5 per cent afterwards – had been "risible" and not worth discussing.

Yesterday the new government also announced its economic programme, promising measures to shore up the lira, curb inflation and sell off state enterprises. It said public shares in the iron and steel company, Eregli, state textile company, Sumer Holding, and the shipbuilding company, Turkiye Gemi Sanayii, would be the first ones to be sold off via block sales or public offerings in 1996. *Reuter, Ankara*

Chechen issue divides Kremlin

Sharp divisions emerged among Russia's leaders yesterday over how to react to the latest upsurge of violence in the breakaway region of Chechnya.

President Boris Yeltsin rejected calls for the imposition of a state of emergency, saying the federal authorities bad "not yet exhausted all existing measures for stabilising the situation". This stance was backed by Mr Victor Chernomyrdin, the prime minister, who said: "We must restrain our emotions and do without extraordinary measures."

But General Pavel Grachev, the defence minister, along with the head of the Interior Ministry troops, is continuing to press for s more aggressive response to the renewed fighting, which has led to the deaths of several Russian soldiers and the severe wounding of General Anatoly Romanov, one of Russia's senior commanders in the region.

Gen Grachev said Russian troops must "eradicate" those Chechen rebels who failed to disarm. Mr Oleg Lobov, the president's chief representativa in Chechnya and himself s target of an assassination attempt, also appears to favour s firmer response. *John Thornhill, Moscow*

Hungarian minister ignores plea

Ms Magda Kovacs Kosa, the Hungarian labour minister, said yesterday her decision to resign, announced last week, was final. She said thet the government'a austerity package had failed to take into account sufficiently either the social costs of reform or the country's constitution. She said she had resigned because there was no guarantee that future cabinet decisions would respect constitutional law.

Ms Kovacs Kosa's departure, scheduled for November 30, is one of the strongest signs yet of growing opposition to the austerity package within the ruling Socialist party and is a fresh setback for Mr Gyula Horn, prime minister, who personally tried to persuade Ms Kovacs Kosa to reconsider.

Her resignation was triggered by a dispnte with the Finance Ministry over sick pay provision. The Ministry rejected a compromise suggested by Ms Kovacs Kosa and stuck to its original proposal, even though its planned changes have been declared unconstitutional by the constitutional court.

The justice minister has also said he would resign if parliament accepted the changes. The austerity package, approved by the Socialist-Liberal coalition government in March, has already led to the departure of three Socialist ministers. *Virginia Marsh, Budapest*

Ukraine increases interest rates

Ukraine's central bank raised its discount rate from 70 per cent to 95 per cent yesterday after a resurgence in inflation last month. September inflation hit 14.2 per cent, the highest rate in six months.

Price liberalisation of utilities such as gas help account for the 10.6 per cent jump on the August figure. Wide exchange rate fluctuation also took a toll. Until last month, inflation beld steady at around 5 per cent a month. "Ukraine bas been fairly good in keeping to the IMF programme," said a western economist, but getting inflation down will prove "tough".

After Russia, Ukraine has the bighest annualised inflation rate in the former Soviet Union. Parliament last week raised pensions and renewed pressure on the government and central bank to increase spending and loosen the monetary reins.

Analysts will be watching a keynote speech today to parliament by prime minister Evhen Marchuk for any change in economic policy. *Matthew Kaminski, Kiev*

Resignation over Kiev corruption

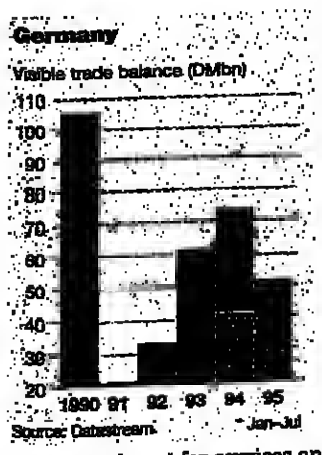
Ukraine's chief prosecutor, Mr Vladislav Datsyok, resigned yesterday citing undue political pressure over his calls to expose corruption in the government, Interfax-Ukraine news agency reported.

Mr Datsyok this year has led a controversial investigation of s seed import deal involving Mr Oleksandr Tkachenko, deputy chairman of the parliament. Prosecutors allege Mr Tkachenko, who also runs s state agricultural concern, misdirected around $70m in Ukrainian government and US Export-Import Bank funds. Over the summer parliament twice tried to remove Mr Datsyok before President Leonid Knchma passed a decree giving him added powers.

But the prosecutor general, frustrated by parliament's continuing refusal to lift Mr Tkachenko's immunity, said yesterday that outside interference persisted. Mr Kuchma came into office last year promising to weed out corruption but a crackdown has never taken place. *Matthew Kaminski*

ECONOMIC WATCH

German exports help surplus



Germany's trada in July continued to shrug off the effects of the strong D-Mark earlier this year, with exports rising by 3.6 per cent compared with July 1994 to DM56bn ($38bn). The Federal Statistics Offics said imports declined over the same period by 0.8 per cent to DM50.1bn, leaving a visible trade surplus for tha month of DM5.9bn compared with DM3.6bn in July last year. According to provisional Bundesbank calculations, Germany's current account balance of payments was DM5.9bn in deficit in July because net payments abroad for services and transfers were double the visible trade surplus. In July 1994, Germany's current account showed a DM11.2bn deficit. The visible trade surplus rose to DM51.7bn in the first seven months from DM41.9bn in January to July last year, as exports jumped by 5.9 per cent to DM416.6bn and imports rose by 3.8 per cent to DM364.9bn. The statistics office also reported that German wholesale turnover in August fell by 1 per cent in real, seasonally adjusted terms from July. However, it was 3 per cent higher in real terms than in August last year. *Peter Norman, Bonn*

■ Spain posted s current account surplus of Pta174.7bn ($1.4bn) in August, compared with a surplus of Pta75.7bn in July, and Pta122.5bn e year earlier.

■ Norway's consumer price index rose by 0.6 per cent last month from August. Year-on-year the inflation rate was 2.3 per cent, compared with 2.2 per cent in August.

■ Denmark's current account showed a DKr1.8bn ($372m) July surplus compared with a revised June surplus of DKr2.5bn.

Greece's PM faces growing calls to retire

By Kerin Hope in Athens

Greece's embattled prime minister, Mr Andreas Papandreou, will today confront rebels in the governing Panhellenic Socialist Movement (Pasok) who want him to resign in favour of a younger and healthier leader.

The 76-year-old prime minister has had to call an extraordinary central committee meeting to elect a new secretary general and executive board, which runs party internal affairs, following the return to the cabinet last month of Mr Akis Tsochatzopoulos, the prime minister'a most loyal associate and a likely successor.

At the meeting his critics will have an opportunity to criticise the prime minister face-to-face. Last week four leaders of Pasok's pro-European faction, who were influential members of the executive board, called for Mr Papandreou to step down.

The "gang of four" consists of Ms Vasso Papandreou, the former EU commissioner (who is not related to the prime minister), Mr Theodoros Pangalos, the former EU affairs minister, Mr Paraskevas Avgerinos, a former health minister, and Mr Costas Simitis, the former industry minister. Mr Simitis is seen as a serious contender for the party leadership but his credentials have been damaged by his failure last month to privatise Hellenic Shipyards in the face of trade union opposition.

By contrast, Mr Tsochatzopoulos, the 56-year-old former secretary-general, now heads a new "snper-ministry" in charge of public administration. He has in effect become depnty prime minister and appears the most likely successor to Mr Papandreou.

The "gang of four's" proposals for forcing Mr Papandreou into retirement have ranged from calling a party congress immediately to choose a successor, to replacing him with a collective leadership.

Ms Papandreou, who refused to join the cabinet in last month's reshuffle, said that Mr Papandreou's role in the party he founded 21 years ago should be "restricted by comparison with the past".

Mr Papandreon's poor health, which ahortens his working day to a few hours and restricts travelling, is blamed for delays in government decision-making.

The Pasok rebels claim that Mr Papandreou is too dependent on his young wife Dimitra, who runs his private office, and a small circle of friends and advisers known as the *avli* (tbe court), who include several cabinet ministers, as well as Greek media barons and businessmen.

However, Mr Papandreon insists that be is well enough to govern effectively. Senior Pasok members say that, if his beart and stomach ailments do not worsen, he could remain in office until the next election, due in two years' time.

Analysts said that while the rebels were popular with Pasok members in Athens, their campaign to unseat Mr Papandreou had not yet gathered momentum nationwide. The central committee still appears to be dominated by populist Socialists who are wary of the pro-European faction's commitment to restrictive economic policies aimed at enabling Greece to participate in European monetary union.

As secretary general, Mr Tsochatzopoulos succeeded in containing discontent among the rank-and-file over tbe prime minister's refusal to retire. With his encouragement, the central committee is expected to replace the rebels in the execntive board with Socialists known for their loyalty to Mr Papandreou. A veteran party man, Mr Costas Skandalidis, is likely to become secretary general.

Papandreon, 76, faces a showdown meeting with critics today

Athens state aid dispute

Brussels delay on shipbuilder

By Emma Tucker in Brussels and Kerin Hope in Athens

The fate of Hellenic Shipyards, the illegally subsidised Greek shipbuilder which the European Commission has threatened to shut down, is not likely to be decided for a furtber three months.

In a move likely to be interpreted as a weakening of determination in Brussels to tackle governments that break EU rnles on state aid, Mr Karel Van Miert, the competition commissioner, will recommend to his colleagues that a delay of three months be granted to assess tha Greek government's latest rescue plan.

The Commission set July as the final deadline for the Greek government to privatise or shut down Hellenic, but since then Greece's Industry Ministry has presented Mr Van Miert with s scheme for the yard'a workers to acquire a 49 per cent equity stake, with management being taken over by an international ahipbuilder.

Mr Van Miert believes three months is needed before the yard's chances of survival can be assessed.

"We still need to get s real business plan from the Greek government from which wa will be able to conduct a detailed survey to see wbether the plan makes sense in terms of viability," a Commission official said.

He added that the Commission's decision in July to take action against the Greek government had not changed, but that the Commission was prepared to allow a three-month breathing space. After failing to find a privata buyer, the Industry Ministry proposed last month that Hellanic should remain under state control, but that up to 1,000 out of 3,000 jobs would be cut and subsidies would be ended.

The plan calls for ETVA, the state development bank, to retain a 51 per cent stake in the yard. The remainder would be sold to the workforce for Dr8.1bn ($34.7m), payable over 15 years in withholdings from their salaries.

The Industry Ministry maintains that the yard's workers have agreed not to strike for the next four years and to restrict wage increases to levels set by government incomes policy for the public sector.

The government proposes to appoint a financial adviser in the next few weeks, who would be responsible for preparing a full business plan and arranging tenders for an international manager to take over running of the yard from January 1996.

However, the yard needs to invest heavily in modernising equipment and improve working practices in order to recover competitiveness, while its poor record on industrial relations will make it difficult to attract offers from reputable shipyard managers.

Rocket city wishes its tractors would take off

Matthew Kaminski reports from Ukraine's rust belt where memories of its part in the space race are fading

By early afternoon, almost 16,000 workers flood through the worn turnstiles at Kharkiv's giant tractor factory. They work and prodnce less than in the Soviet days. The state-owned Kharkivsky Tractorsky Zavod (HTZ) plant, like many around Kharkiv, the largest city in Ukraine's rust belt, languishes in limbo between a centrally planned past and an uncertain market future.

A make-over bas been delayed by lack of real structural change in Ukraine. Today factories play by quasi-market rules and temporarily stay afloat by improvisation. Their desperate plight, reformers argue, will not improve without a clearer industrial policy.

A cog in the Soviet agricultural hardware machine, HTZ used to make 56,000 tractors a year on order from Moscow, which settled all accounts and found customers. After the Soviet Union's collapse, output fell to 28,000 in 1992 and, with economic depression lingering in most former Soviet republics, will be a mere 4,000 this year, down from 8,000 in 1994.

To try to soften the blow and find new customers, the plant opened 27 new sales outlets across Ukraine. It put out a new model this year, defying the drop in demand. Slowly, expensive social obligations are being reduced: foor of 16 kindergartens were recently passed to Kharkiv municipality, whose mayor, Mr Evgeny Kushnarov, says the city can take more only if it wins greater budgetary discretion from Kiev.

While economists sometimes assume labour boarding persists in Ukraine, half the HTZ 32,000 employees have left since the late 1980s, moving to the growing unofficial economy or better paid jobs just across the border in Russia.

But the solutions are short-term, and employees, directors and local leaders are split over what to do next. The worker collective, sware of the fall in productivity, this year voted to privatise the plant. Privatisation will not take place until next year, if then.

Meanwhila, the factory's directors want the Kiev government to provide farmers with cash to lease HTZ equipment and increase state patronage.

The regional governor, Mr Alexander Maselsky, backs the directors on privatisation. "There's no reason to hurry," says Mr Maselsky, an old-style communist who has ruled from the same office since 1983.

When the region's privatisation plan came up for approval this year, say western advisers working in Kharkiv, Mr Maselsky sought to remove certain factories and prohibit some enterprises from reducing employment or changing their production profila for many years. His changes were eventually weeded out, but succeeded in delaying the start of the mass privatisation programme in the region.

The conservative forces in Ukraine fear real reforms would undermine their power, which depends on state patronage and a distorted market. The Kiev government's effort to sell off or bankrupt the large, illiquid enterprises has made little progress this year. Parliament made 6,100 enterprises ineligible for privatisation – including some military-industrial plants located in Kharkiv, still better known by its Russian-language variant, Kharkov.

Across the city from HTZ, a formerly secret missile guidance system plant – known only by a number, 629 – fought to stay off parliament's sell-off list, and won. The company, now called Khartron, equipped SS-19 nuclear rockets and Sputnik launchers. Today, the high-tech factory must adapt to a post-Soviet world without military orders, centralised corporate governance or raw materials sourced in other republics. It is half succeeding.

Mr Yakov Eisenberg, the president, considers that Khartron could be privatised soon. A key to Khartron's conversion plans is a joint venture with Westinghouse, the US engineering giant, to upgrade Ukraine'a nuclear power plants. The plant museum displays recently-built radio-controlled childran's toys – another attempt to move to the civilian market – near pictures of the Mir space station, which Khartron also helped equip.

Like most factories, Khartron has built up a large debt portfolio. Through the first eight months, it is owed 700bn karbovanets (around $46.6m) and owes other anterprises 300bn karbovanets.

A bigger problem for Khartron is that demand remains scant and defence conversion is slow. Ukraine was an important military production centre, but foreign investors today are far more interested in low-wage, export production such as textiles or furniture, where they baliave tba country's future comparative advantage lies.

But, unwilling to fire any of his remaining 6,000 engineers, among 14,000 employees, Mr Eisenberg places great hope for the future on President Leonid Knchma's call to improve Ukraine's economic ties with Russia. He particularly likes the tentative plans to create special financial-industrial groups (FIGs) among Russian and Ukrainian companies that would enjoy tax breaks.

The so-called FIGs would recreate old Soviet sourcing arrangements. The Kharkiv region also signed an agreement with the Russian border regions to set up a customs union, although it cannot be implemented without a deal between Moscow and Kiev.

Mr Victor Pynzanyk, a government reformer demoted in the summer government reshuffle, calls both plans "illusions". Other progressives worry that the FIGs will slow tbe decentralisation of Ukraine's economy.

A good way to weed ont weak companies, they say, is for the government to cut energy subsidies and cut power to companies that fail to pay their bills. The government claims 8,000 factories will face electricity cuts this winter.

The threat is not new. In practice, it has proved difficult to implement.

As Russia has shown, rapid privatisation can be another good way to force change through ownership transfer and direct investment. Mr Kushnarov, Kharkiv's centrist mayor, says mass privatisation has, so far, failed in his city. "Tha products made by tbe huge industrial plants are no longer needed," be says. "It's a problem for Ukraine and a very big problem for Kharkiv. Bankruptcy is the next stage, but that can happen only after privatisation."

World Bank's new chief brings in the smile test

By George Graham in Washington

Mr James Wolfensohn, the new president of the World Bank, yesterday promised a less arrogant institution working in partnership with member governments instead of imposing its views on them.

As the bank's annual meetings began yesterday, Mr Wolfensohn gave finance ministers representing shareholder governments the first outlines of his plans for making the Bank accountable, open to criticism and closer to its clients.

"We must be mindful that the projects we finance are not World Bank projects – they are Chinese, or Haitian, or Malawian projects," he said.

In the four months since he took office, Mr Wolfensohn has spent much of his time travelling to borrower and donor countries in a search for "some insight into the direction in which I would like to lead the Bank".

Bank staff have watched his progress anxiously, convinced that when he had completed his tour, the new president would propose another of the bank's periodic reorganisations, coupled with severe job cnts and a substantial decentralisation from its Washington headquarters.

Mr Wolfensohn yesterday sought to dispel such fears.And although a bank task force had prepared a report on decentralisation, he had not personally taken part in any discussions on the subject.

Instead, he said, he wanted to create "a results culture" that would change the way the bank does business.

"We must focus on our clients and results, and break the armlock that, I sense, bureaucracy has placed on this institution. If we do that, then we will create a more profound change than any structural reorganisation," he said.

That means adjusting the bank's personnel policies to give greater rewards to those who achieve results on the ground and less to those who simply increse lending volume.

"I have learned that the real test of development can be measured not by the bureaucratic approval process but by the smile on a child's face when a project is successful," he said.

But Mr Wolfensohn warned that it would be very difficult for the World Bank to sustain its efforts to help the world's poorest nations without enough money for the International Development Association, its soft loan window.

If the US Congress cuts its contribution as deeply as expected, he said, other countries will follow suit, halving contributions to IDA over the coming 12 months to $3bn. And if the current IDA is reduced so severely, it will be very difficult to win adequate pledges for IDA'S next replenishment.

"This is not just a trimming at the edge. This gets at the very guts of IDA," he said. But be cautioned borrower countries that their side of the "compact" must be better management and less corruption.

"The crucial need to free up more resources – whether in reducing multilateral debt or replenishing IDA – must be matched by the track record and commitment of the recipients to sound policies and effective, transparent implementation," he said.

Tunisian opposition leader is arrested

By Roula Khalaf in Tunis

The leader of Tunisia's main opposition party, the Mouvement des Democrates Socialistes (MDS), has been arrested.

His detention on Monday came after he made public a letter criticising the government's iron fist policy and the lack of political freedom, the MDS said yesterday.

The arrest of Mohamed Moadda marks the first serious confrontation between the government and legal opposition parties. Until recently, the opposition had been willing to help the government in its attempts to eradicate an Islamist movement which emerged in the 1980s and has since been subdued.

A government official said a senior Tunis judge had ordered a search to be carried out of Mr Moadda's home on Monday.

"Several documents revealing...his secret and compromising relations with a foreign state have been discovered," the official claimed. Several thousand dollars had also been found, he said.

The official said Mr Moadda had allegedly received "important amounts of money" from the foreign state, which he did not name.

An official, who declined to be named, said there was no connection between Mr Moadda's arrest and recent statements issued by MDS criticising the state of Tunisia's politics.

Mr Moadda's MDS had previously adopted a policy of criticism of the government, allowing President Zine El Abidine Ben Ali to focus on economic liberalisation and raising living standards before asking for a real opening of the political system and the dismantling of the one-party rule Tunisia has experienced since independence in 1956.

The entente with the opposition, however, began to falter with the 1994 legislative elections in which the opposition complained of irregularities after being allocated 19 seats (10 for the MDS), against 144 seats for the ruling party, the Rassemblement Constitutionnel Democratique (RCD).

The relationship came under further strain after the municipal elections in May, in which the RCD carried an unlikely 4,084 of the 4,090 seats up for election. MDS leaders publicly complained that government manoeuvring had prevented many candidates from standing and that voters had been intimidated.

Mr Moadda waited another three months before firing off a confidential letter to the president complaining of government excesses and asking why the programme set out after Mr Ben Ali took over in 1987 and promising a democratic Tunisia had not been implemented.

"The ruling party and the government are using the banner of fighting Islamism to eliminate political opposition ... and maintain the one-party state," Mr Moadda said in his letter.

According to members of the MDS political bureau, the letter was made public on Monday, a week after advisors to the president told Mr Moadda they would not hand it over to Mr Ben Ali.

Ben Ali: questions about promises of democracy

Pacific Rim bucks trend of defence spending cuts

By Bernard Gray, Defence Correspondent

Defence spending is rising rapidly in Pacific Rim countries in marked contrast to declines seen elsewhere in the world, according to a survey from the London-based international Institute for Strategic Studies.

In the 1995-96 edition of *The Military Balance*, the IISS says military spending in East Asia rose 9 per cent between 1992 and 1994 after inflation is taken into account. This year spending in the region is expected to rise by 6 per cent, before disconnting for the impact of inflation.

Japan is now probably second only to the US in national defence spending, with the possible exception of Russia where comparable statistics are not available. Japan's defence budget is put at $56bn for 1995, compared with $263bn spent by the US, $37bn by France, $34bn by the UK and $28bn by China.

The report says the increased defence spending in the Pacific Rim has come about as a result of strong economic growth, and should not be viewed as an arms race which threatens to destabilise the region.

At the same time, the IISS points to the North Korean nuclear and missile development programme, and the dispute over ownership of the Spratly Islands in the South China Sea, as serious developments in the region.

Middle Eastern countries continue to spend a larger proportion of their national income on defence than any other region, with $41bn expected to be spent by countries in the region this year, down from $43.5bn in 1993.

Saudi Arabia's defence budget is put at $13.2bn in 1995, down from $16.5bn two years ago as the country is coming through the bulge in arms purchases it made in the wake of the Gulf War. Difficulties in meeting the high costs of weapons procurement has led Saudi Arabia to renegotiate some contracts and reschedule purchases. However, no weapons deals have been cancelled outright. The IISS says there has been an improvement in the Saudi fiscal balance recently and it sees no reason why the substantial Saudi procurement programme should not continue.

The Russian military is still beset by problems following the collapse of the Soviet Union. Despite a sharp fall in military production, however, defence spending still accounts for 21 per cent of the Russian federal budget.

The disastrous Russian performance in putting down the rebellion in Chechnya is attributed partly to the disorganised state of the army. Russia was undergoing a reorganisation similar to the "options for change" cuts in the UK which consolidated many regiments and rationalised headquarters staff. The IISS says Russia experienced similar problems to those of the UK when it sent forces to Saudi Arabia for the Gulf War, but that Russia did not have several months to correct the problems before the fighting began.

Defence expenditure: % of GDP

	1985	1993	1994
Nato	3.3	2.8	2.5
Russia	n/a	9.3	9.6
USSR	16.1	n/a	n/a
Non-Nato Europe	4.5	5.7	6.1
Middle East	12.2	8.9	6.7
Central Asia	4.6	2.8	2.7
East Asia and Australasia	6.9	4.4	4.5
Caribbean, Central and	3.1	1.7	1.7
Sub-Saharan African	3.5	3.3	2.8
Global Totals	**4.8**	**2.8**	**2.6**

Source: International Institute for Strategic Studies.

Veteran troubleshooter takes Saudi financial helm

By Robin Allen in Dubai

A veteran Saudi troubleshooter and confidant of King Fahd has been appointed acting finance minister following the abrupt departure of his predecessor. Mr Suleiman Al-Solaim resigned for health reasons on Monday after he had spent less than three months in the post.

His replacement is Mr Abdul-Aziz Al-Khoweitar, a minister of state without portfolio in the cabinet reshuffle last August and before that education minister since 1975.

Saudi riyal interbank rates were unmoved and diplomats and bankers said they expected no changes in fiscal restructuring and other financial priorities leading up to the next budget on January 1. These decisions are made by the inner circle of the ruling family after detailed consultations with all those affected, as well as by the council of ministers (cabinet), they said.

Mr Al-Solaim's sudden departure is regarded as a personal tragedy as well as a loss to the government. Only 54 years old and with a distinguished record in US and Saudi academic and government circles, he had been commerce minister for 20 years up to the recent government reshuffle.

He had recently been hospitalised in London with heart problems.

Mr Al-Khoweitar, the caretaker minister of finance, is 68 years old and one of the old guard. He is a highly experienced and dependable administrator who was one of the first Saudis to receive his higher education in the west.

He studied Islamic history at London University's School of Oriental & African Studies before becoming Rector of Riyadh (now King Saud) university and health minister from 1974-75.

Mr Al-Khoweitar's versatility has earned him the benign and unofficial title of "the professional stand-in caretaker".

But that understates the role he has played in other public duties. Under the auspices of Prince Sultan Bin Abdul-Aziz, the defence minister, Mr Al-Khoweitar has been active in the prickly border and other discussions with Yemen.

Although "caretakers can last a long time in this part of the world", as one diplomat put it, the consensus is that Mr Al-Khoweitar is unlikely to keep the portfolio much beyond the next budget, or even until then.

"The King will not want to lose the momentum created by the very profound cabinet changes of last August and the expectations these have created," one banker said.

Speculation in financial circles on a permanent replacement centres on Mr Hamad Al-Sayari, the 54-year old governor of the Saudi Arabian Monetary Agency (central bank) and a former Saudi member of the World Bank board and 60-year old Mr Ahmad Abdul Latif, president of the Bahrain-based Arab Banking Corporation, previously managing director of Saudi Arabia's Riyad Bank and deputy governor of Sama.

Others include Mr Abdullah Al-Quwaiz, the 56-year old former assistant deputy minister for finance, deputy secretary-general for economic affairs at the secretariat of the Gulf Co-operation Council (GCC) in Riyadh and former executive director of the Arab Monetary Fund and 55-year old Mr Yousuf Nimatallah, the former Saudi executive director on the board of the International Monetary Fund.

Bankers emphasised that, given the traditionally discreet Saudi way of doing things, the next appointee could well not be known until he is announced.

They said the government needs to show it is not relaxing its grip on budget restructuring, nor going to disillusion an expectant private sector about the early settling of overdue government debts.

Nunn warns of polarisation in US politics

By Jurek Martin, Washington

Senator Sam Nunn of Georgia said yesterday he expects to support President Bill Clinton for re-election but wanted to see more of the president'a "vision for the next four years" before formally endorsing him.

In an interview one day after announcing be would not seek re-election, Mr Nunn expressed doubt that an effective third party or independent presidential candidate would emerge next year. He repeated that be was personally uninterested in getting involved.

But he aaid he was concerned that "the left wing of the Democratic Party and the right wing of the Republican Party tend to dominate, and I think the average American feels left out of the process". Should this persist, a third party could eventually become potent, he said.

Mr Nunn also admitted he had lost his enthusiasm for politics, an argument cited in more extreme terms by Senator Bill Bradley of New Jersey when he announced his retirement last month.

He especially regretted the influence of money and polling on politics at the expense of substantive debate on issues. Both Congress and the administration spent too much time "constructing budgets" and too little on evaluating the effectiveness of individnal programmes.

Although be insisted he had had his fill of "legislative" politics, Mr Nunn was being urged by his Georgian supporters to run for the state's governorship in 1998.

That position is currently occupied by Mr Zell Miller, the Democrat who could bid to succeed Mr Nunn next year. Another likely candidate is Mr Max Cleland, now Georgia's secretary of state, who ran the department of veterans affairs in the Carter administration.

However, the Repnblicans expect to pick up the Nunn Senate seat. His personal popularity – with three consecutive 80 per cent victory margins – was exceptional in the South, where the Republicans have made big gains at all levels.

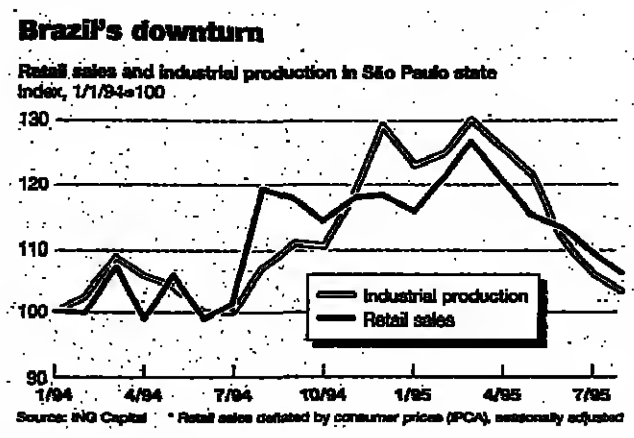
The Democrats now bold only nine of the 22 senate seats in the 11 states of the old Confederacy, their first minority aince the Reconstruction period after the Civil War. Of Georgia's House delegation, eight are now white Republican males and three black Democrats.

Economic reform starts to bite Brazil

Government faces a wave of protest about unemployment and slow growth, writes Angus Foster

Thousands of Brazilian workers shouted "Stability YES! Recession NO!" in protests against the government's tight economic policies last month. Mercedes Benz seemed not to be listening, and sacked 10 per cent of its workers.

The job losses from such a high-profile company, the latest in a string of aackings, raised fears that the price of Brazil's new-found stability will be a sluggish economy and endlessly rising unemployment, a aerions problem in neigbbouring Argentina. "These job losses prove we are in recession," said Mr Vincente Paulo da Silva, a union leader.



However, the slowdown in the second and third quarters of the year followed robust growth in the six months to March. With output expected to recover in the lead up to Christmas, government and private sector economists are forecasting total growth for the year of at least 5 per cent.

The downturn has been prompted by the government's tight credit policy – real interest rates remain above 30 per cent. Some sectors, such as textiles and agriculture, have been hit hard. But others are continuing to benefit with demand from poorer consumers. The incomes of poorer consumers rose after the fall in inflation with last year's launch of the Real.

Sales of colour televisions and video recorders are at record levels. Mr Marcel Herrmann Telles, director general of the country's biggest brewer, Brahma, predicts the beer industry will grow 15-20 per cent this year.

Job cuts like those at Mercedes Benz and a record fall in industriai employment in August are causing concern. But comparing Brazil's unemployment witb Argentina, where the rate has reached 18.6 per cent, appears premature.

Estimated unemployment rates vary from just under 5 per cent, according to the government-backed IBGE institute, to tbe union-funded Dieese agency's figure of 13 per cent. Dieese's figure is much higher because it only measures the economically active population. Measuring unemployment accurately in Brazil is complicated by the size of the informal economy and underemployment.

Mr Rubens Soares de Lima, president of the FEE economic institute, says the fact both Brazil and Argentina have brought down runaway inflation by launching new currencies and following similar economic policies sbould not overshadow the "great differences" between them.

"Brazil's industry bad restructured before the economic plan was launched, and Argentina's had not. Also, Brazil has more flexibility than Argentina with its sxchange rate," he says. Unlike Argentina, Brazil has allowed its currency to gradually fall against the dollar, keeping the country's exports competitive.

But according to some analysts, structural changes underway in Brazil's economy could still make unemployment a persistent problem. Since 1990, when the country started opening its economy, industrial productivity is reckoned to have increased more than 30 per cent. Most of the increase came from restructured work practises rather than new investments.

The recent job cuts also present a short-term challenge to the government of President Fernando Henriqne Cardoso. Concern about jobs bas increased opposition to the Real plan and its associated policies, although 68 per cent of people in a recent opinion poll still thought the plan was good for the country.

Mr Antônio Britto, governor of the state of Rio Grande do Sul and an important ally of Mr Cardoso, says the government needs to find "non-inflationary ways" to tackle unemployment. Otherwise, the broadly favourable political climate could be upset. "As important as the measures themselves is for the government to appear worried and not to let this become an opposition point," he says.

Mr Cardoso has few options. The structural reforms he has proposed to the tax and aocial aecurity aystem are making slow process in Congress. Until they are approved, the government's budget remains precarious.

Despite calls from business for interest rates to be brought down, the central bank has so far acted cautiously. High rates are one of the few tools available to damp business and consumer demand, whicb could otherwise lead to another explosion in imports.

Brazil's trade account has been in surplus for the last few months, mainly thanks to government curbs on car imports. But tbese surplusea are unlikely to reverse a trade deficit of \$4.25bn accumulated in the first half of the year. Some economists even forecast that monthly deficits could return before the end of this year, stoked by year-end demand. If they do, businessmen can cross lower interest rates from their Christmas shopping lists.

Peru set to reach agreement with banks

By Sally Bowen in Lima and Stephen Fidler in London

Peru expects to reach agreement with its commercial banking creditors on a Brady debt restructuring plan before the end of this year, according to Mr Jorge Camet, economy minister. "Our positions are very closs: conversations will not extend into 1996," said Mr Camet in Washington, where be is attending the World Bank/International Monetary Fund meeting.

The minister is meeting important creditor banks in Washington. Bankers said the agreement may settle on a 45 per cent write-off of principal, which amounts to some \$3.8bn according to Peru. More important, though, is treatment of overdue interest on which figures are not agreed.

The government is still refusing to confirm a large-scale buy-back of its commercial debt on the secondary markets over the past year. This buy-back, now likely to be incorporated retrospectively into the bank accord, may make a final agreement easier by reducing the number of creditors.

AMERICAN NEWS DIGEST

Orange County to divert funds

Governor Pete Wilson of California has signed legislation which will allow the state's bankrupt Orange County to divert more than \$800m in funds from the regional transport authority and other sources to pay off part of its debts. The county authorities now plan to draft a fiscal programme for approval by a federal judge which, it is hoped, will lead to the county's formal discharge from bankruptcy next year.

The bill, signed on Monday, carries a clause which allows the governor to appoint a trustee to rum Orange County's affairs if the fiscal programme is not deposited at the bankruptcy court by next May. Orange County's finances collapsed last December after losses in the derivatives market drained almost \$1.7bn from its investment pool. The latest step in the rescue, taken after voters rejected proposals to increase sales tax.

But the most controversial element was the agreement by water utilities and similar county bodies to withdraw their damages claims against the county investment fund. They have agreed instead to accept a share of any proceeds of legal proceedings instituted by the county against Merrill Lynch and other financial advisers. *Christopher Parkes, Los Angeles*

Clinton 'outraged' at sabotage

President Bill Clinton said yesterday he was "profoundly outraged" by the sabotage of an Amtrak passenger train in Arizona and vowed that the government would do everything it could to catch and punish those responsible.

"We will not tolerate acts of cowardice like this in the US, regardless of their motives," he told a group of business leaders at the White House.

"I want to make it clear we will do everything we can . . .to catch whoever is responsible," he said.

One person was killed and 83 injured on Monday when the Sunset Limited train, bound for Los Angeles from Miami, jumped the tracks while crossing a 30ft high bridge, 60 miles southwest of Phoenix. A little known group called Sons of the Gestapo left two notes at the scene. *Reuter, Washington*

Packard Bell files lawsuit

Packard Bell Electronics has filed a federal lawsuit against Compaq Computer for unfair competition, defamation and false advertising.

The Sacramento-based manufacturer said it was seeking punitive damages, reimbursement for loss of income "dne to the campaign Compaq has waged against the company and its employees", and a court order compelling Compaq to run corrective advertising.

In the suit, Packard Bell alleges that Compaq has falsely described its own policies regarding computers which have been returned and has purposely misled the public in comparing the practice of the two companies.

Packard Bell said it "enforces the strictest quality assurance process in the industry for returned computers". It also alleges Compaq made misleading statements in news releases to the media, in letters to government agencies and in public comments by Compaq. *AP-DJ, Sacramento*

Trinidad's finance chief quits

Mr Wendell Mottley, Trinidad and Tobago's finance minister, is resigning from politics and will not contest the general election called for November. Mr Mottley's departure will be a setback to the incumbent People'a National Movement in its campaign for the election called for November 6, by Mr Patrick Manning, the prime minister.

Mr Mottley, who was finance minister for four years, is widely respected in local and international financial circles. He supervised the deregulation of the economy and is leaving office now the energy-based economy is showing signs of ending several years of stagnation.

His resignation was a "personal" decision, Mr Mottley said, and was not caused by differences with Mr Manning or the party.

Mr Manning and the PNM will face stiffer than expected opposition in the election, with the decision of Mr Arthur Robinson, a former prime minister, to return to the leadership of the minority opposition National Alliance for Reconstruction (NAR). *Canute James, Kingston*

Guatemala defence head resigns

Guatemalan President Ramiro de Leon Carpio said his defence minister had resigned following a massacre by the army of 11 peasant refugees in a remote northern town last week.

The president told a news conference he had accepted the resignation of General Mario Enriqnez, which was offered on Sunday night.

A patrol of 25 army soldiers opened fire last Thursday on a group of Indian refugees on a farm near the village of Aurora 8 de Octubre in the northern province of Coban.

According to the National Commission for Refugees, 11 people were killed, including two children. Seventeen others were injured.

The army has said it acted in self-defence after the refugees started to hit them. Survivors said the soldiers opened fire without provocation. *Reuter, Guatemala City*

NEWS: WORLD TRADE

Uruguay Round 'will hurt the poor'

By Frances Williams in Geneva

The world's poorest countries may lose between $300m and $600m a year in reduced exports and increased food imports as a consequence of the Uruguay Round world trade agreements, according to new estimates by the United Nations Confereoce oo Trade and Development.

Unctad says the least developed countries (LDCs) will be hard hit by the erosioo of preferential tariffs for their exports and by tbe expected rise in world prices for basic foodstuffs.

Most of the 48 LDCs (as defined by tbe UN) are net food-importers. For the group as a whole, food items sucb as cereals, edible oils and dairy products swallow a quarter of export earnings.

Unctad'a economists took two projections, one assuming a 5 per ceot increase in food import prices and the other assuming a 10 per cent increase. Botb take into account a limited shift to domestic agricultural productioo as import costs increase.

Even so, almost all LDCs will face higber import bills and most, notably in Africa, will see a drop in exports. For all tbe loser countries, tbe first projection shows a combined deterioration in the trade balance of $306m a year while in tbe second, trade balances worsen by a total of $575m.

LDC exports, whicb consist predominantly of primary commodities, are not very competitive, Unctad says. They are likely to lose market share as a result of erosion of preferential margins in industrialised country markets.

The report estimates tbat tariff rednctions negotiated in the Uruguay Round will cut the margin of preference for LDCs by a quarter in the European Union, a third in Japan, one-half in the US and more than 70 per cent in Canada.

Though LDC losses are small in a global context, for the countries concerned they may be very serious, accounting for up to 50 per cent of exports.

EU imposes duties on US soda ash

By Caroline Southey in Brussels

The European Union yesterday imposed anti-dumping duties oo imports of soda ash from the US despite strong opposition from European glass manufacturers.

The EU said it was imposing duties of 13.9 per cent oo imports of soda ash from tha US, confirming similar provisional duties imposed in April.

Tbe duties announced yesterday would normally apply for five years but the EU said the regime would ba reviewed after one year.

The provisional duties were imposed after the Commission bad completed a two-year investigatioo following a complaint by the European Chemical Industry Council, which represents 85 per cent of the EU's producers.

The Commission conclusion was that US soda asb was being dumped on tbe EU market, causing injury to EU companies.

The decision infuriated EU glass manufacturers, tbe biggest customers for soda ash in the EU, wbo have maintained that there is no link between US imports and the problems of the soda ash industry.

The glass manufacturers, including Pilkingtoo of the UK and Saint-Gobain of France, mounted a campaign to persuade the Commission to lift the anti-dumping duties on the grounds that the industry was suffering a shortage of key raw material.

They maintained that the duties amounted to "protection for the soda ash industry".

Soda asb is used by other indnatries including steel, chemical, detergent and paper and pulp.

An EU official said the Commission "was obliged to impose the duties if there is dumping in the EU market.

"We concluded in our report that there was injury to EU companies from US imports. We have to take these interests into account," he said.

The EU said its investigation found that EU producers' share of the Union'a market fell from 96 per cent in 1990 to 88 per cent in 1993.

It concluded that "to leave tha Community soda ash industry without protection against unfair competition would not be in the interests of the Community".

The duties imposed involve material produced by US companies FMC Wyoming Corporation, AG Soda Corporation, General Chemical (Soda Asb) Partners, North American Chemical Company, Rhone Poulenc of Wyoming Basic Chemicals, and Solvay Minerals.

It does not apply to material from TG Soda Ash.

Arab boycott of Israel not yet history

A few companies doing business with Jerusalem still face problems, says **Roula Khalaf**

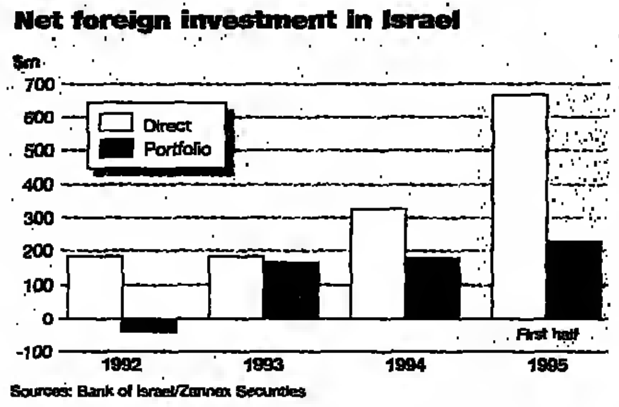
Mr Will Maslow, general counsel of the American Jewisb Congress, has given up publishing the "Boycott Report" and turned his attentioo to "Radical Islamic Fundamentalism update", a oewsletter devoted to what he sees as the more serious threat to Israel.

The change in Mr Maslow's focus reflects the view that progress towards Middle East peace has led to the demise of the 44-year-old Arab boycott of companies doing business with Israel. This belief was reinforced last mooth wben Fuji Bank became the first Japanese bank to take the lead in arranging a $100m loan for Israel, in spite of strict observation of the boycott by Japaoese companies in the past.

Despite its gradual erosion, bowever, the boycott continues to cause trouble for international companies. "People bear (the boycott) is history, but it remains a trap for tbe unwary," warns Mr William Skidmore, director of the US department of commerce's office of anti-boycott compliance, which ensures that US companies abide by 1979 legislation prohibiting compliance with the boycott.

Earlier this month, a group of Lebanese parliamentary deputies recommended scrapping a three-year $5m Cable and Wireless management consulting contract with the government because the company had, subsequent to signing with Lebanon, bought into Israel's telecommunications giant, Bezeq.

Net foreign investment in Israel



Sources: Bank of Israel/Zannex Securities

Lebanon and Syria bave yet to sign peace treaties with Israel, so it is not surprising that they still rigidly apply both the primary boycott against direct trade with Israel and the secondary and tertiary boycotts against companies doing business directly and indirectly with Israel.

But Mr Skidmore says all the countries of the Gulf Co-operation Council, whicb groups Saudi Arabia and five other Gulf states, last year agreed to lift the boycott, bnt still request "some" proof of compliance with the boycott from foreign companies. Oman and the United Arab Emirates, still make a "significant number of requests" for proof, be says.

Mr Skidmore acknowledges that wben the countries are told US companies are prevented by law from complying, the demands are often dropped. But, he says, "overall, the boycott remains at the very least a nuisance in all countries".

There is no doubt that the Arab boycott, which some analysts estimate has cost the Jewish state as mucb as $40bn in lost trade and investment, bas been greatly weakened since it was first imposed by the Arab League in 1951. Companies which had avoided the Israeli market for fear of falling out with Arab partners are now moving to set up businesses in Israel.

Mr Maslow says that Japan, for example, this year opened a trade office in Israel, after Japanese car companies began selling cars to Israel in tbe early 1990s. He says US accounting firms which bad avoided setting up partnerships in Israel are now doing so.

A planned summit of Arab and Israeli businessmen in Jordan later this month highlights many Arab states' willingness to lift even the primary boycott against direct dealing with Israel. Morocco, generally more relaxed in observing the boycott, is already importing Israeli agriculture technology, while the rich Gulf state of Qatar is interested in selling natural gas to Israel.

But it is the boycott'a vagueness and confusing implementatioo that has and will continue to encourage companies to err on the side of caution. "There have always been levels of selectivity in the boycott," says Mr Clovis Maksoud, former Arab League ambassador to the US. "If there are overriding interests in dealing with a company, a state can exercise its sovereign right."

This may be why the main blacklist of companies kept by the Arab League boycott office in Damascus and believed to include the names of as many as 10,000 companies has never been published. Individual countries also keep their own lists and companies are sometimes added or deleted depending on wbether they have powerful Arab sponsors.

For example, Arab cola drinkers generally purchased Pepsi. Finally, in 1991, after Coca-Cola secured a powerful Saudi sponsor and was removed from the Saudi boycott list, Syria also lifted its ban. "Various interpretations, degrees of enforcement, and ad hoc exceptions have contributed to the confusion that often surrounds the boycott's administration," a US Internatioual Trada Commisaion report concluded in 1994.

According to the Lebanese ministry of telecommunications, Cable and Wireless does not figure on the Damascus list, for example. Analysts say that in recommending the scrapping of the Cable and Wireless contract, the Lebanese deputies' decision reflected both opposition to Israel and an attempt to court the Syrian leadership.

Syria, which exercises great influence over Lebanon, is still strongly in favour of the boycott. Another reason for the depnties' decision was to embarrass the Lebanese cabinet, which signed the contract in the first place.

However, the Lebanese ministry of telecommunications has been very slow to act on the deputies' recommendation.

Mr John Despres, tbe US assistant secretary of commerce in charge of enforcement, points out that although companies are told the boycott is dead, the Arab League and GCC have yet to change regulations behind the boycott.

"The glass is half full, but it is also half empty," he says. Until the Arab League unilaterally lifts the boycott, Arab states can continue to resort to it whenever it suits their purposes, in the process complicating companies' attempts to do business in the Middle East.

WORLD TRADE NEWS DIGEST

Investors flock to east Europe

Foreign direct investment in eastern and central Europe surged by nearly a quarter last year, according to provisional figures compiled by the United Nations Economic Commission for Europe. In its East-West Investment News, the ECE estimates that the region's stock of foreign direct investment (FDI) rose from $18.3bo at the beginning of 1994 to $22.7bn a year later. Final figures may sbow still higber growth, especially for Hungary and Poland.

Though the rusb of investors into the four leading economic reformers in central Europe bas slowed over tbe past three years, they still bost the bulk of all FDI in the region.

Between them the Czecb Republic, Hungary, Poland and Slovakia accounted for more than two-thirds of the total foreign investment stock in January 1995. With the inclusion of Slovenia, the share rises to nearly three-quarters. "Hungary remains by far the most successful in attracting FDI," the ECE points out, accounting for 37 per cent. This was despite a considerable drop in its share over the previous year from 44 per ceot in January 1994.

UN publications, CH-1211 Geoeva 10, fax +41 22 917 0027. $80 annual subscription for four issues. *Frances Williams, Geneva*

Poland opens enterprise zone

Poland has opened its first free enterprise zone, delivering 10 years of corporate tax relief for investors at the near defunct Mielec aircraft factory 290km south-east of Warsaw.

The zone, called Euro Park Mielec, whicb is to have a 20-year life span with participants enjoying a 50 per cent cut in corporate tax for the second decade, is designed to resuscitate an area devastated by a slump in orders for aircraft from the former Soviet Union. Corporate tax is at 40 per cent and investors are entitled to 50 per cent tax relief to recoup the valne of their investmeot if they invest more than Ecu2m ($2.54m). Further tax breaks are tied to export sales and spending on fixed assets. Mielec, whicb employed 20,000 as recently as five years ago has broad gauge rail links with the CIS and major airport facilities. *Christopher Bobinski, Warsaw*

US presses piracy concern

US and Chinese negotiators are meeting in Beijing to review implementation of an anti-piracy accord reacbed in Marcb aimed at curbing rampant counterfeiting of American products. Mr Lee Sands, tbe deputy assistant US trade representative, will remain in Beijing until Friday to assess progress in efforts botb to stamp out counterfeiting, and also to open the Chinese market to US educational and information products.

Mr Sands said the US was concerned about continuing piracy of US products, and would be pressing tbe Chinese to live up to their undertakings to combat intellectual property rights abuses. *Tony Walker, Beijing*

Vietnam's clothing exports rise

Vietnam expects to earn $800m from clothing exports this year and $1bn in 1996, up from $560m in 1994, with the European Union accounting for the bulk of business.

Mr Le Huy Con, deputy minister of light industry said exports to the EU alone next year could reacb $470m and that the opening up of the EU market to Vietnam in January 1993 had resulted in a six-fold increase in exports. Mr Con said any increase in exports to the EU would depend on an agreement on clothing being finalised between tbe EU and Vietnam. EU officials say no date has been set for this. *Jeremy Grant, Hanoi*

Beijing to keep tight grip on money policy

By Tony Walker in Beijing

China will begin loosening credit to agriculture, "efficient" enterprises and key infrsstructure projects, bnt would maintain tight money policies to combat inflstion, the country's new central bank governor said yesterday.

Mr Dai Xianglong, in his first full-scale press briefing since his appointment in June, said China planned to "readjust the credit structure" to provide more funds for priority areas such as agriculture and assist in reforms of cash-starved state-owned enterprises.

But he also insisted the People's Bank was not abandoning its figbt against inflation, which reached a post-1949 high in 1994 of 21.7 per cent before falling to about 17 per cent in Angust compared witb tbe same period last year.

"The general policy to tighten credit to an appropriate degree will remain unchanged," be said.

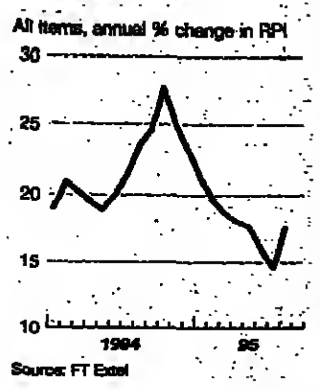
China implemented a 16-point austerity package in July 1993 to calm an overbeating economy, and to curb inflation, but tight credit policies have hit struggling state enterprises hard and exacerbated problems of triangular debt – the inability of enterprises to pay each other for goods and services.

Chinese business, led by the state sector, has been pressing the authorities to ease credit, but, with economic growth expected to exceed 10 per cent this year and inflation remaining st high levels, the government has resisted these calls.

However, concerns abont "stagflation" and the need to provide stimulus in depressed areas of China's north-east indnstrial heartland where unemployment is rising, appears to have persuaded the authorities of the need for s selective easing of credit.

In his wide-ranging briefing, Mr Dai also said:

- China would establish a nationwide capital market to conduct open market operations in treasury bonds by early next year.



- The Chinese yuan would become a "gradually" convertible currency by 2000 at the latest, but preferably sooner.
- China simed to restrict inflation to 10 per cent next year, down from this year's target of 15 per cent. M1, the narrow definition of money supply, would not be allowed to expand faster than the sum of economic growth and inflation.
- China's foreign exchange reserves reached a record $69.8bn st the end of September, an increase of $18.2bn, or about 26 per cent this year.
- China would issue an extra Yuan30bn (£2.3bn) in special savings bonds and treasury bonds this year to absorb idle funds in the market. China has already issued Yuan300bn in treasury bonds this year to help fund its budget deficit.

Mr Zbu Xiaobua, deputy governor of the central bank, said the bank would stand behind state-owned commercial banks as s "lender of last resort". He was responding to qneries about China's sovereign obligations for the foreign debt of commercial banks.

"I'd like to reiterate that, ultimately, all these debts held by state-owned banks will be backed by the state," he said.

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Seoul may block North Korean airspace deal

Sonth Korea yesterday indicated it would block a request by US airlines to re-route some of their Seoul-bound flights through North Korean airspace, John Burton writes from Seoul. Nortb Korea bas given Delta Airlines and Northwest Airlines tentative approval to use its airspace in a conciliatory gesture to the US. Delta and Northwest bad asked Pyongyang to let their flights from Portland, Oregon, take a short cut across North Korean airspace, which would shorten the flight to Seoul by one bour.

Seoul said the agreement between Pyongyang and the US airlines violated international rules because North Korea had not opened its airspace to all international civil airliners, including those from South Korea. Without an aviation deal covering the Korean peninsula, Seoul's construction and transport ministry warned, it could not allow US airliners to approach Seoul's Kimpo Airport – less than three minutes flying time from the north – because "a civilian airliner might be regarded as an enemy aircraft and be subject to the measures required in such cases".

Vietnam presses for debt accord

By Jeremy Grant in Hanoi

Vietnam wants a debt restructuring deal with foreign commercial creditors by the year's end, but bankers say haggling over pricing means there could still be s long way to go before agreement on the estimated $800m owed.

"We hope the debt can be cleared before the [multilateral donors'] round table meeting in Paris in December," said an official at the State (central) Bank, which is leading Hanoi's negotiations with mainly Japanese creditor banks.

Vietnam last year appointed Australia and New Zealand Banking Group and Bank of Tokyo as advisers on the restructuring of the country's medium- and long-term debt, about half of which consists of interest on money owed to the banks as well as to some Japanese trading houses

A third committee meeting ended last month and bankers and experts close to the talks say ths meeting did not go smoothly with some creditors still smarting from Vietnamese insistence on a generous portion of debt forgiveness. "I understand they [Bank of Tokyo] weren't very happy with the last round," said one foreign expert who declined to be named.

Vietnam is genuinely anxious for s deal because it would sharply reduce the country's sovereign debt risk, which is holding back foreign bank lending. It also curbs scope for tapping international markets for funds, sorely needed to rebuild Vietnam's war-shattered infrastructure.

The State Bank official said negotiators had been considering a Brady Bond formula to restructure the debt, similar to that used to handle Latin American debt in the 1980s and now some Philippine debt.

Another factor further muddying the picture is occasional rivalry between the State Bank and the ministry of finance, bankers say. The ministry helped secure s large portion of debt forgiveness in the deal that was reached with non-commercial, Paris Club donors last year, and the State Bank is understood to be keen to match that at the commercial, or London Clnb, debt talks.

Vietnam's economic planners are keen to see the country's first international government bond issued next year, but they know this cannot happen until the London Club arrears are settled. The International Monetary Fund and World Bank have indicated a reluctance to see any overseas commercial borrowings until Hanoi's existing obligations are dealt with.

Ministry of Finance officials are working on the issue of a five-year, $100m Eurobond, managed by Nomura and Merrill Lynch, with some involvement by Deutsche Bank. However, a shadow is looming over the planned issue. The eighth congress of the Vietnamese communist party is likely to be held in mid-1996 and is expected to trigger top party and government reshuffles. Senior Vistnamese decision-makers are thought unlikely to make significant commitments without knowing their jobs are secure for the next few years.

Bank of Japan takes to a more active life

Gerald Baker on a new enthusiasm for pulling all the economic levers to beat the recession

Conservative institutions, sometimes to a fault, do not like to be seen effecting dramatic policy changes. When they do alter course, they prefer it to be imperceptible, the movement only becoming evident some time after the event.

But the frenetic activity going on behind the austere grey-brick walls of the Bank of Japan's headquarters in Tokyo in the past six months has been impossible to disguise.

After several years characterised by a somewhat sluggish central bank response to Japan's long recession, officials are now energetically pulling every lever at their disposal to pump life into the economy, a revolntionary change that could be crucial in engineering a long-delayed recovery.

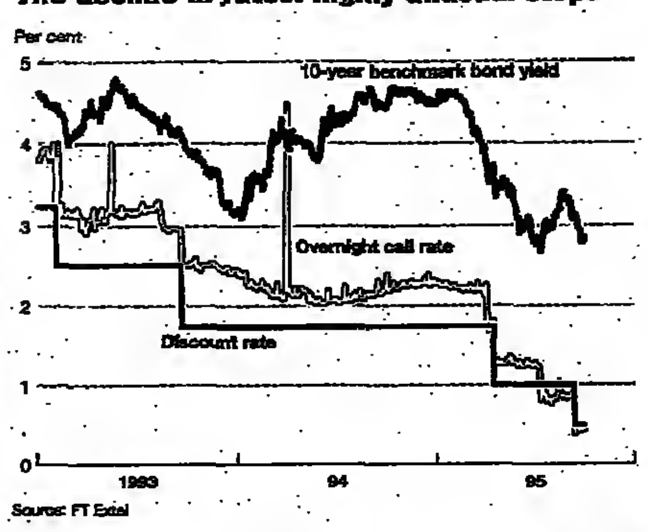
Last month, the Japanese central bank reduced its official discount rate (the main rate at which it lends to banks) to s post-war low of 0.5 per cent. It was the second cut in five months and was designed to stimulate lending in s lifeless credit market.

But it was only part of a concerted strategy of aggressive monetary easing. Most importantly, the bank has taken the highly unusual step of allowing money market interest rates – the rates at which banks lend to esch other – to fall below the discount rate. That policy was reaffirmed last month, and in the past six months the overnight cost of borrowing has thus fallen from 2.2 to 0.4 per cent.

Rates have been driven so low by the expedient of pumping liquidity into the market. "The central bank is now actively printing money," says Mr Richard Werner, economist at Jardine Fleming in Tokyo.

Not content with lowering rates at the short end of ths money market, the bank has been doing something even more unusual: helping push longer-term interest rates down. It has been beavily buying government bonds, bidding up the price and cutting the yield.

The interest rate on tbe benchmark 10-year government bond has dropped from 4.3 per cent in March to 2.7 per cent last week. Changes in these rates have a more immediate impact on the real economy because they set the level for lending rates banks charge their customers, and though Japan's inflation is still negative and the real interest rate is somewhat higher than the nominal figure, the cost of borrowing has still fallen sharply.



There are signs these changes may be working. Bank lending rose in August and September at its fastest rate for nearly two years. More spectacularly, lower Japanese interest rates and stronger liquidity have been vital in bringing about the 15 per cent depreciation of the yen thst has occurred in the past two months, a development that should bolster activity.

This bold policy represents a transformation in the authorities' stance. From the autumn of 1993, when it cut the discount rate to 1.75 per cent, until this spring, ths bank appeared to believe it had done enough to produce a recovery.

Despite the evidence of weak demand, stagnant output and falling prices, it resisted pressure to push rates below that level; they stayed there for over 18 months. Towards the end of last year, money market rates even began to rise again.

What has changed?

The bank clearly has a significantly more jaundiced view of economic prospects than s year ago. As hopes of recovery bave fsded, tbe suthorities' response has become more aggressive. The language used to explain its actions signals this change in sttitude.

Last month, the Bank actually used the D-word – deflation, wbsn announcing its interest rate cut. Alarmed at the evidence from its own survey of business opinion, it acknowledged, for the first time, that falling prices could seriously damage the economy.

"The Bank of Japan has at last developed a sense of real crisis about the economy's deflationary pressures," says Ms Tomoko Fujii, economist at Salomon Brothers in Tokyo.

But the growing evidence of financial instability in the banking system has also forced the central bank's hand. The policy measures taken in the past few months have helped tbe country's debt-burdened banks by reducing sharply the cost of the funds they raise on the money markets.

The rates st which they lend, meanwhile, have adjusted more slowly, and have fallen by a smaller amount. This process – the steepening of the yield curve – should help banks rapidly improve their profitability.

Some detect a personality change at work too. Last December, Mr Yasushi Mieno handed over as central bank governor to Mr Yasuo Matsushita. Mr Mieno, a lifelong central banker, established a reputation in his five-year tenure as a fierce anti-inflationary hawk.

It was he who was fêted for bursting the bubble of spiralling asset prices in the late 1980s, then pilloried for continuing the punishment long after many thought necessary.

Mr Matsushita, on the other hand, has spent some time in the private sector. The more accommodating policy the bank has pursued since his installation may reflect a less ascetic approach to the country's economic management. Many in the financial commnnity certainly believe so.

"He's been in commercial banking," says one senior banker. "He understands rather better what it's like out here." Whatever the reason, personality or sheer alarm at the steepening slide in Japan's economic fortunes, the Bank of Japan is clearly heading in a different direction. As it continues to force down lending rates, there seems no sign of another change of course soon.

Conservative party conference Fishing fleet will be defended ⁘ Atlantic alliance backed

Anti-Brussels speech wins loud applause

By Robert Shrimsley, Lobby Correspondent

Mr Michael Portillo, Britain's defence secretary, yesterday restaked his claim to the leadership of the Tory right with a crowd-pleasing Eurosceptic speech which delighted the party faithful.

For the second year running he delighted the conference and did much to reassert his position after a summer in which he lost ground on the right to Mr John Redwood, who resigned from cabinet to challenge the prime minister for the Tory leadership.

While Mr Redwood took the battle to the fringe, Mr Portillo used his speech to the whole conference to impress on activists that he was the Thatcherite in cabinet, fighting the corner from within the government. The prime minister pointedly congratulated him immediately after his speech.

The defence secretary earned a loud three-minute standing ovation for a resounding attack on the European Commission and a pledge not to let Brussels "control" Britain's defence policy.

He drew long cheers when he reminded the audience of the VJ Day commemorations and the sacrifices made by soldiers in the second world war. He added "The freedom for which they spilled their blood, the democracy for which they suffered, the sovereignty for which they died is not the property of this generation to surrender".

Praising the armed forces, he said Britain was blessed with troops willing to give their lives "for Britain, not for Brussels" and he attacked the recent European Court of Human Rights ruling on the Gibraltar shootings as giving "comfort to terrorists".

Highlighting a number of traditional Euro-scares, Mr Portillo raised the spectre of a unified European Army and doubted whether Britain would have been "allowed" to defend the Falkland Islands or decide when national interests demand it fight.

He pledged to veto any plan for a common defence policy controlled by majority vote of European countries – although the proposals now being discussed for the next stage of European development are for a common defence policy only with unanimity and not with majority voting.

He attempted to ridicule directives introduced by the EU, suggesting how they might be applied to the army with "harmonised cap badges", limits on the fighting week and half the soldiers "home on paternity leave".

Mr Portillo put forward only one new policy initiative – the creation of a new rapid reaction strike-force combining all three services, capable of sudden and long-range deployment. The force might be used, for example, to free British citizens held hostage in foreign countries.

Defensive stance: Michael Portillo vowed again to resist European influence Photograph: Tony Andrews

'We are foremost champion of free trade'

By John Kampfner, Westminster Correspondent

Britain will champion a free trade alliance drawing together the European Union and North America, Mr Malcolm Rifkind, foreign secretary, said at the conference yesterday.

In a speech reaffirming his Eurosceptic credentials, Mr Rifkind said a new "Atlantic community" would draw together the two guiding principles of UK foreign and defence policy – the maintenance of Nato and promotion of free trade.

EU foreign ministers last week failed to give the go-ahead for a joint study with the United States on the creation of a transatlantic free trade area, despite strong support for the idea from Britain, Germany, the Scandinavian states and the European Commission.

Hopes of the Spanish presidency to agree a programme in time for the EU summit in Madrid in December have been set back by opposition from France and other member states wary of further anti-protectionist measures.

Mr Rifkind said: "Britain is an Atlantic nation. We are the world's *foremost champion of free trade*. We are therefore perfectly placed to fight this good fight, and if we do, the rewards will be very great indeed."

Mr Rifkind made clear his lack of enthusiasm for moves to transfer some of the functions of Nato to the Western European Union. "The United States and Europe need each other as much as ever, and we would never be forgiven if we weakened the transatlantic alliance," he said.

Tory officials had billed Mr Rifkind's free trade announcement as one of the conference high points, demonstrating ministers' ability to infuse new policies into the party's pre-election strategy.

But, although it included some sharp attacks on Labour, Mr Rifkind's address met a muted response by the standards of Tory conferences.

Mr Rifkind said both parties' differing approaches to the EU would, and should, be one of the most prominent issues in an election campaign. "This is the fault line of British politics," he said.

Britain, he said, would rather lose influence than surrender control over decision-making in critical areas. The comments echoed a speech Mr Rifkind made a month ago which was hailed by Eurosceptics as confirming his conversion to their cause.

However, in his conference speech, Mr Rifkind trod carefully on some of the finer detail. Initially he suggested some leeway for UK negotiators at the inter-governmental conference on the question of an extension of qualified majority voting. But he later said the government would not support any further dilution of individual nations' veto rights.

Mr Rifkind derided Labour as prepared to sell-out Britain's interests for fearing of antagonising its EU partners. "Either Britain will have a government that is prepared to be unpopular and occasionally isolated in defence of British interests, or it will have a government that will give in when the going gets rough."

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Mr Douglas Hogg, agriculture minister, yesterday pledged to fight the growing burden from Brussels of regulations of the farming and food industries. He claimed that Britain was consistently the first European Union state to adopt Brussels red tape, James Blitz and Alison Maitland write.

Mr Hogg claimed in his first speech to the conference as a cabinet minister that his ministry had secured important concessions in recent years to reduce the burden of regulation on farmers, food manufacturers and fishermen. He also insisted that Britain would take a tough line against any fishing fleets from other EU countries which use illegal nets in waters around the British Isles.

He assured conference delegates that his ministry would subject new EU rules to rigorous inspection and that "fighting bureaucracy" and "contesting over-regulation" would be among his most important goals.

Mr Hogg's comments coincide with signs that Britain will take a tough line on EU farming directives. Last month, the UK voted against new licensing arrangements on non-medicinal additives in animal feeds. Mr Hogg said at the time he could see no justification for the directive in terms of risk to animal or human health.

Bank considers 'big bang' gilts plan

By Norma Cohen, Investments Correspondent

The Bank of England is considering proposals which could lead to the creation of a single settlements system for equities, gilts (government bonds) and other investments in London.

The move could cut costs for investment banks and institutional investors using the UK markets, cementing London's role as a centre for international trading. "It is vital for London to have the most efficient settlement system for securities," said Mr Gary Wright, head of gilts settlement at stockbroker Panmure Gordon. "This could be the Big Bang for the back office."

In a consultation document circulated to participants in the gilt-edged market, the Bank of England has set out proposals for significant alterations to the current system for settling gilts transactions.

The Central Gilts Office, which has handled settlement up until now, is unable to cope with repurchase agreements – short-term loans of securities – and "stripped" gilts – the separation of principal from interest payments. Both will for the first time become available to the markets next year.

"If the upgrading of CGO software is deferred, it might be necessary to delay the start of a gilt strips facility until the upgrade is in place," the document says. Turnover in the gilts market is about £40bn ($63.2bn) a day, and it is estimated that reforms could increase that by two or three times. The Bank of England, however, is concerned that attempts to immediately modify Crest, the new system for paperless settlement of equity transactions, to include gilts settlement could jeopardise the goal of having it operational by next July.

The paper says: "The successful implementation of the Crest equity settlement system as quickly as possible is of paramount importance to London. It is essential that nothing is allowed to divert the Crest project team from its task."

Exporters resist moves to single EU currency

By Gillian Tett, Economics Correspondent

More than half of all UK based exporters oppose a single European currency, a business survey yesterday claimed.

The main reason for opposition was a fear of losing competitiveness to European rivals such as France and Germany.

The survey, conducted by the NCM credit insurance group, a large credit insurer, and the Institute of Export, found that 54 per cent of the 1,100 exporters who replied to the survey were against a single currency, with 36 per cent in favour and 10 per cent undecided.

The results are likely to stir debate as preparations for a single currency gather speed in Europe.

For with the issue continuing to divide the Conservative party, business groups are now stepping up their efforts to establish company opinion on a single currency.

Preliminary survey evidence so far, however, suggests that many businesses are not only split over the issue – but some are also fed up with the whole debate.

Only 11 per cent of companies in the NCM survey, for example, actually replied to the survey.

A current Engineers Employers Federation survey of its members has also yielded a lower than expected response rate so far.

Of the total of about 200 companies which have replied to the survey, however, the proportion of those for and against the single currency are fairly evenly split.

In an effort to counter this apparent survey-fatigue, the Confederation of British Industry and British Chambers of Commerce are due to publish a joint survey on the issue early next month, using the private research group Mori.

The venture is the first co-operative survey ever conducted between the two rival business groups.

Both the CBI and the BCC have generally insisted in recent months that the UK should not yet rule out eventual participation in a single currency.

Nevertheless, some CBI officials admit that recent confederation conferences addressing single currency issues have generated only limited interest among their members.

And CBI observers expect that their survey will simply highlight the split nature of business views.

NCM yesterday admitted it was surprised by the number of companies opposed to single currency in its survey, although the pattern differed slightly between regions and company size.

Although 60 per cent of companies with turnover of less than £1m ($1.58m) were opposed to a single currency, 52 per cent of those with turnover between £11m and £25m were in favour of it.

Of those companies opposed, some 75 per cent said that they feared that they would lose the advantages that sterling's weakness currently gives them against French and German companies.

The fastest-growing large exporter in the UK last year was British Nuclear Fuels, virtually the only company still fully owned by the Government. Data published today in the Financial Times exporter survey show that exports from BNFL rose by some 183 per cent between 1993 and 1994. This was the fastest rise of any company in the top 100 and pushed BNFL's earnings for the Government up to £45m ($71m) from £26m the previous year. BNFL was the 34th largest UK exporter in 1994, up from 79th in 1993.

BNFL's growth is striking given that most of the other fast growing exporters were not British-owned and concentrated in the car and high-technology sectors. Mr John Guiness, BNFL chairman, yesterday attributed the company's rising exports to growing world demand for nuclear processing and waste cleaning services, particularly in the US and Far East.

Eurotunnel may soon reduce fares

By William Lewis and Geoff Dyer in London

Eurotunnel, the operator of the Cbannel tunnel between England and France, is to introduce a new pricing strategy later this month. There will be a wider range of fare categories and there may be beavy price cuts.

In a significant change from its current marketing strategy, Eurotunnel is also set to offer a number of special incentives to boost winter traffic.

Eurotunnel is being advised on Its pricing strategy by Professor John Kay of the London Business School who is chairman of the consultancy firm London Economics.

He has in the past argued that, given Eurotunnel's low marginal cost structure and large capacity, it sbould introdnce significant price cuts and more price discrimination to boost traffic levels.

The more sophisticated pricing structure is Eurotunnel's attempt to step up the war with the ferry companies on tbe cross-Channel route and force them to reduce capacity. The intense competition on the cross-channel market has contributed to Eurotunnel's daepening financial crisis, whicb led It to suspend interest payments on £8bn ($12.6m) of debt last month.

London Economics said yesterday that Prof Kay was unable to comment on Eurotunnel "because he is working for them at the moment".

The new price brochure, which will start in January, represents a hreak witb previous strategy. In its 1994 rights issue prospectus, tbe company said it would provide a tariff structure tbat was "simple and readily understandable". It also said its prices would be higher than the ferries as they derived a higher proportion of their revenues from on-board sales.

Analysts yesterday welcomed the expected initiative, with one describing it as "long overdue". They said that Eurotunnel needed to discount fares significantly on the unattractive off-peak times in order to get passengers to change their travel plans.

The company also needed to be "more imaginative" with its marketing, according to one analyst, if it was to keep passengers who used the tunnel this year because of the novelty value.

Sir Alastair Morton, co-chairman of Eurotunnel, recently described the ferry companies' decision to increase capacity next year and their price reductions over the summer as "insane".

Northern Ireland House prices rise ■ Army hands over base in Catholic area of capital

State cash offered to lure expatriate entrepreneurs

By Andrew Bolger, Employment Correspondent

The Britisb government is trying to attract back some of tha 200,000 people who left Northern Ireland in the past 25 years by encouraging them to start their own businesses.

"Now we want them back", said Baroness Denton, Northern Ireland economy minister, who argued that increasing and sharing in prosperity was the best way of securing the peace process.

She was launching the Make it Back Home scheme in London aboard HMS Belfast, the World War Two warship named after the city where it was built.

Returning entrepreneurs are being offered packages worth up to £75,000 ($119,000) by the government's Local Enterprise and Development Unit (Ledu) to establish their own husinesses and help develop the local economy.

Baroness Denton said 80 per cent of the emigrants had been educated to secondary level and a quarter had been university graduates. This meant the province "lost a very large number of people who would normally have made a huge contribution to business and community life."

The minister said Northern Ireland had probably never had so much to offer to qualified and experienced people with the desire to set up their own husinesses. During the past year Ledu had run a series of seminars and business clinics in North America at which more than 500 people had indicated a desire to return home, she said. Ledu had already belped 70 people return to business in the province, creating a total of 300 jobs – and a further 30 business plans were under consideration.

Ledu has appointed seven business representatives in North America, where an estimated 12 per cent of the migrants went. It will also be holding conferences and seminars in London and other parts of Britain, where about 75 per cent of them are located.

The minister said support for a typical example of a returning entrepreneur witb an export business plan would be up to £40,000, including £4,000 for each job created, and additional development assistance of up to £35,000.

Mr Chris Buckland, chief executive of Ledu, said Northern Ireland had suffered from a low level of start-ups, but those whicb had been established enjoyed above average levels of survival and growth.

● A professional caddy wbo worked for top golf stars such as Nick Faldo is among those wbo have already returned to Northern Ireland to set up businesses. Mr David McNeilly spent nearly 10 years touring the world as a caddy after moving to Florida in 1981.

He returned bome to Portstewart in 1992 and nsed Ledu assistance to set up a publishing company, producing a series of yardage books tailored to golf courses in both Northern Ireland and the Irish Republic.

House prices fell in nine out of 12 UK regions between the second and third quarters of this year and were lower than a year ago everywhere apart from Northern Ireland, Halifax Bnilding Society raported yesterday, onr Construction Correspondant writes.

House prices bave risen by an average of 3.1 per cent in Northarn Ireland since the third quarter of last year, said Halifax, Britain's biggest bnilding society (mutually owned savings and loan institution).

Tbe peace process in Northern Ireland has boosted confidence in the local bousing market. Prices rose by 2.9 per cent in the three months to the end of September compared with the previous three months.

The biggest annual fall occurred in north-west England where prices fell by 5.3 per cent. Prices in Greater London were 1.2 per cent lower than a year before.

Private Robert Curran of the 1st Battalion, Tbe Black Watch, locked the gates of a British army base in Belfast for the last time yesterday when the cleared site was banded over to the government's Northern Ireland Office for civilian use. It was the first army base to be establisbed in the predominantly Roman Catholic Falls Road district of the city when violence broke out at the start of the most recent "Troubles" more than 25 years ago.

Demolition started in July this year of the base which honsed more tban 15,000 Britisb soldiers over 25 years. The former mill built in the 19th century was attacked several times by the Irish Republican Army with rockets and machine guns and was a potent symbol to nationalists of British rule.

UK NEWS DIGEST

Customs to defy bank's VAT victory

Customs and Excise bas lodged an appeal with the High Court in London over the surprise ruling by a value added tax tribunal last month that First National Bank of Chicago should be able to recover VAT on goods and services linked to certain foreign exchange transactions. Until now Customs and Excise did not allow VAT to be recovered on equipment snch as computer systems when the transactions involved were currency swaps between banks which carried no charge.

If the High Court fails to overturn the decision the bank hopes to lodge a "seven-figure" claim to recover VAT. Several other banks are understood to be prepared to go to the tribunal on the same issue.

Jim Kelly, Accountancy Correspondent

Ban on homosexuals in armed forces defended

The ban on homosexuals and lesbians in the armed forces is justified because of the risk they pose to morale and effectiveness, a lawyer for Mr Michael Portillo, defence secretary, said in the Court of Appeal in London. Mr Stephen Richards, the lawyer cited comments made by US General Norman in a New York case. Gen Schwarzkopf, commander of coalition forces in the Gulf War, had said "the introduction of an open homosexual into a small unit immediately polarises that unit".

Mr Richards was rejecting accusations that the British ban is absurd and irrational. Four dismissed servicemen and women are fighting a test case to overturn the policy on tbe grounds that it breaches the European Convention on Human Rights and European Union directives on equal treatment. Two High Court judges ruled in June that the British han was lawful, although one said he thought the policy was doomed as "the tide of history" was against it.

PA News

Young people 'work for less than 10 years ago'

Young people are being used as a source of cheap labour, working for less pay than 10 years ago, says the Low Pay Unit, which based its analysis on the government's latest New Earnings Survey. The unit says the wages of people under 21 have fallen sharply since 1985 compared with average earnings.

Ten years ago the lowest paid women aged 18 to 20 earned 53 per cent of the adult female median wage. By this year the figure had fallen to 42 per cent, making them the equivalent of £26 ($41) a week worse off, says the unit, which lobbles on hehalf of the unemployed. Men in the same age group earned 37.9 per cent of the adult male median wage in 1985 but this has fallen to 32.4 per cent, a loss of £17 a week.

Lisa Wood, Employment Staff

Four groups bid for Thomson Corp papers

Four main contenders submitted formal bids for the Scottish newspapers of the Thomson Corporation including The Scotsman and Scotland and Sunday. The bidders are believed to be the Barclay brothers through their newspaper The European; Northcliffe, the regional division of Association Newspapers; Deutsche Morgan Grenfell, the venture capital group; and a so-far unidentified consortium thought to involve executives with previous associations with Thomson.

Raymond Snoddy, Consumer Industries Staff

Leeson assisted bondholders, court told

THE BARINGS COLLAPSE

Mr Nick Leeson, the former Barings Bank trader, actively assisted bondholders trying to hring a private prosecution against him in the UK, a London court heard. The prosecution brought hy bondholders who lost £100m ($158m) when the hank collapsed was last week taken over by the UK Serious Frand Office with the intention of dropping it. During the hearing, the SFO said Mr Leeson's lawyer had given the bondholders transcripts of Mr Leeson's interview with the SFO and a statement from Mr Leeson saying be was happy for the material to be used against him. The SFO repeated its view that Singapore remained the most appropriate place for Mr Leeson to stand trial. The bondholders argued that the SFO had abused its power by taking over the prosecution. The case opposing the SFO was adjourned until tomorrow.

John Mason, Law Courts Correspondent

Turbine for Pakistan

Peter Brotherhood has secured an order for its largest-ever machine for Pakistan, where there are already more than 120 Peter Brotherhood turbines in operation. The contract is for an 8MW condensing steam turbine to be installed at the 100MW Kohinoor Power Station near Lahore and is valued at £1m ($1.58m).

Alien search: The government is keeping secret files on sightings of aliens in Britain, said demonstrators outside the House of Commons. About 20 placard-carrying watchers of unidentified flying objects called on ministers to release the files. The protest was organised by British section of the US group Operation Right To Know.

Inseparable: A woman who superglued herself to ber husband to prevent him from being deported was told he could stay in Britain for a week. The case of Mr Hassan de Marre, wbo entered Britain last November from Algeria claiming political asylum, was stayed after an appeal to the High Court in London. He married two months ago while awaiting deportation in a British prison.

BUSINESS AND THE ENVIRONMENT

A Mexican petrochemical complex blamed for extensive contamination is being sold off, writes **Daniel Dombey**

Pollution for sale

Crab fishermen still paddle along the estuary that borders Coatzacoalcos, a grimy, sweltering town in the Mexican state of Veracruz, but the region is one of the most polluted in the country.

Until the 1990s, the petrochemical industry that came to dominate the area barely concerned itself over the waste it burned or poured into the river, and by then the pollution had taken its toll.

"The laws weren't there, the institutions weren't there," says Luis Puig, now head of Pemex Petroquimica, the state body that operates the four giant petrochemical complexes that form the backbone of the local economy. "There was very little control over the plants' waste treatment. Things only really changed when environmental laws were passed in the 1990s."

Now Pemex Petroquimica is up for sale, in a process which should indicate how much the industry has turned around since the old high-polluting, high-growth days. The new laws have improved waste treatment, although the industry concedes there is still some way to go. The government has started a $50m (£32m) clean-up programme, which may continue after privatisation, but some potential investors say more may have to be invested to clean up the industry.

Companies interested in the sale are now weighing the balance of potential strategic benefits against the disadvantages of purchasing decades-old complexes.

Large Mexican petrochemical concerns such as Alfa, Cydsa and Celanese want to acquire a share in the plants to give them control over their supply of raw materials.

International corporations, such as Shell and Du Pont, are likely to want to increase the sector's meagre exports. Since the government plans to sell off intact whole complexes of up to 20 separate plants apiece, local and international companies are likely to form consortiums to bid for the assets.

A 1992 attempt at privatisation was abandoned, a failure the Mexican government blames on low petrochemical prices denting investor interest. Now prices have risen and the administration hopes other worries will not affect the sale.

Pemex, the state oil company, will initially retain a 20-33 per cent share in the facilities it sells. It is planning to retain full ownership of plants producing primary petrochemicals such as butane.

In the early days of the industry, Pemex poured money into new complexes, especially near Coatzacoalcos. Pajaritos, built in 1967 to produce ethane products, was followed in the 1970s by Cosoleacaque, which makes ammonia for fertilisers. The two most profitable complexes, Cangrajera and Morelos, which make large quantities of ethylene, among other petrochemicals, were built in the late 1970s and 1980s. Last year, Pemex Petroquimica had sales of 7.1bn pesos (about $2bn before the peso devaluation), with nearly 90 per cent of its production based in the Coatzacoalcos area.

There was little to stop the expansion until after the economy had crashed in the early 1980s. Twenty years ago, the oil company produced most of Mexico's exports and was seen as the motor of the economy. It still provides over a quarter of tax revenues and is almost the only industry in the south east. In the past, Pemex has managed to operate almost unrestricted by environmental regulations.

In an investigation carried out last year by researchers at Mexico's National Autonomous University, the stretch of the Coatzacoalcos river closest to the plants is dangerously acidic, with a pH as low as 3.4 (similar to the acidity of vinegar). Oxygen levels are 10 times lower than in other parts of the river. The area's industry, which includes many private plants which process Pemex Petroquimica's products, also contributes to the level of contamination, but Pemex Petroquimica has historically been the biggest culprit.

"That part of the river is incapable of supporting life," says Leticia Rosales, a chemist involved in the project. "It's a disaster."

Environmentalists are also concerned about the high lead content in the region's air, which in the 1980s left a sample of local inhabitants with blood lead levels twice as high as international norms. Pollution is also blamed for spoiling the area's sub-soil.

"All in all, it's probably the most polluted region of the country," says José Luis Calderón, an architect of a recent agreement between Pemex and the environmental ministry that commits Pemex Petroquimica to follow up the results of a recent environmental audit with a $50m programme to improve waste treatment and emergency procedures.

"From past experience, the cost of the clean-up could easily be much higher than current indications," says the Mexican chief of one international company interested in the plants. "And that is something we will have to take into account."

"The results of the audit are not enough to go on," says Alejandro Von Rossum, head of the chemicals division of Cydsa, one of the potential bidders. "We will have to wait for the results of the due diligence part of the privatisation process to know the status of each plant."

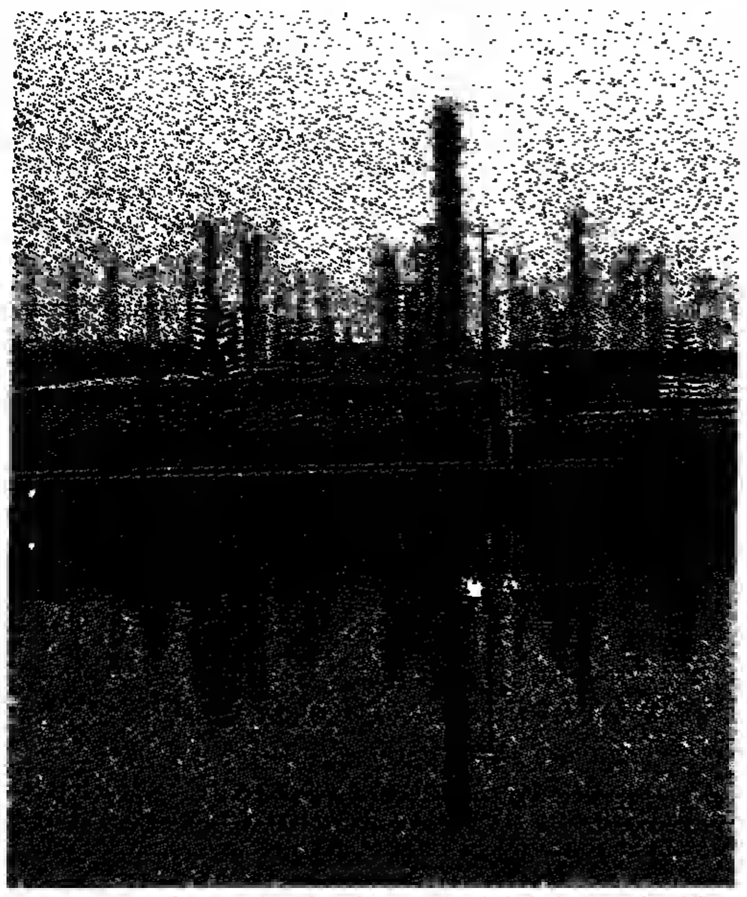
"I don't think Pemex will leave environmental liabilities to the buyers," says a more sanguine Juan Luis San José, head of petrochemicals at Alfa, the country's biggest company in the sector. "I don't think there will be any surprises."

At the moment, waste disposal processes are uneven. A small part of the Cangrajera plant is devoted to an ecological park and the complex's managers expect that its waste treatment facilities will soon receive an International Standards Organisation certificate, the international benchmark for up-to-date technology. But further away, at Pajaritos, dark viscous waste spills out into a nearby brook. Pemex officials say the technology needed to clean the waste adequately has been beyond their buying power.

Neither Pemex nor the environmental watchdog were able to supply details of the measures mandated by their agreement.

"For 10 years, there was no investment in these plants," admits Puig. "Now, with the privatisation, we hope new funds will come, to help us get ahead."

There is more to do. And the progress of the privatisation will reveal how eager investors may be to deal with the remaining problems in an industry still unaccustomed to being clean.



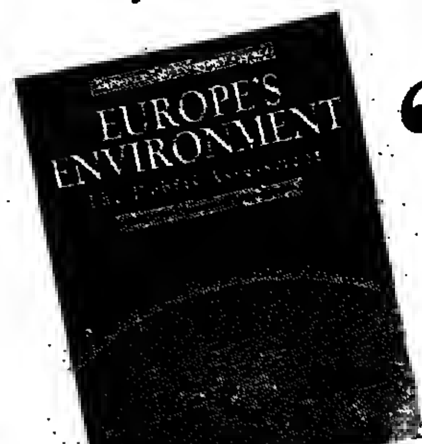
The stretch of the Coatzacoalcos river closest to the plants is dangerously acidic

The big picture from green encyclopaedia

David Lascelles reviews a weighty tome which aims to create an inventory of Europe's environment

There are times when one wishes that people would stop discussing the environment, or writing reports about it, and just get on with it. Few subjects cause so much ink to flow or, ironically, so many trees to die.

Such will doubtless be the thoughts of many who are confronted by *Europe's Environment: The Dobris Assessment**, a monumental book. At 676 pages, it is the size of a telephone directory. It was commissioned by European environment ministers four years ago in a fit of Euro-green enthusiasm. (Dobris was the Czech castle where they met.) Those were the early days of what came to be known as the "Environment for Europe" initiative – a two-yearly high-level get-together, the next of which takes place in Sofia later this month.



'There are no simple answers to the question: How healthy is Europe's environment?'

The aim of the book was to create an inventory of Europe's environment, from Portugal to the Urals, from Iceland to Malta. This would enable the region's problems to be identified, prioritised and dealt with. And so it does: there are chapters on every conceivable environmental issue from acidification to waste, even including topics like urban stress and tourism. All these are distilled into priorities, with the appropriate policy responses listed and analysed. A truly definitive work.

The question, though, is will anyone ever read it?

On the plus side, I have to admit that while I opened it with a sinking heart, it was a long time before I put it down. Rather like dipping into an encyclopaedia – which in a sense it is – there was always something else which attracted the eye. This is a tribute both to the lay-out, which is fresh and colourful, and the content which is voluminous, varied and appetisingly presented. You can read about nuclear soil contamination post-Chernobyl, how an old tin works on Humberside tried to dump its waste on Mexico, which city produces the most rubbish (Gdansk) and how many hedgerows have vanished in the Netherlands over the past 30 years.

All this was surprisingly fascinating. But I estimate that as much as half of the book consists of very basic information which has been widely available for decades: for example, about Europe's topography, or about the chemical and physical processes which are at work in the environment.

So much for the first 600 pages. It is only in the last 76 that the underlying message of the book comes through in the form of analysis and policy implications. The 12 priorities are predictable (climate change, ozone layer, biodiversity etc) but at least they result from a study of the really big picture, so they have more validity than less comprehensive assessments. The book lists the possible responses to each of them, not so much in the form of policy recommendations, but to lay out the options, though the sceptic will note that they all tend to require even more government action, particularly at the supranational level (don't things ever get better at the grass roots?).

A tremendous amount of work has gone into this publication, and it conforms to the aims of its publisher, the European Environment Agency, to act as a database for those interested in the issues. With many of the big environmental threats now transcending national boundaries, it is good to promote a Continent-wide view, though one might have wished for a more inspiring conclusion than the one we are left with: "There are no simple answers to the question: 'How healthy is Europe's environment?'."

But I can't help questioning whether it was worth the effort. My reservation is partly with the book, but also with the ministers who commission these sorts of blockbusters. Ignorance and uncertainty are often cited as inhibitors to political action on the environmental front. But they are also in danger of becoming the excuse for promoting research on a scale which vastly exceeds the human capacity to absorb it, even the scale of the debate itself.

The Environment for Europe initiative has so far produced very little that is concrete. This may be corrected in Sofia later this month. But some member countries want to put off the subsequent meeting for five years to allow real work to be done. That must surely be the priority.

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ARTS

Television/**Jurek Martin**

The view from Washington

Chris Dunkley gets hauled over the coals from time to time by earnest PRs from Sky for daring to suggest there is not enough worth watching on British satellite TV. Over here, where satellite generally means cable, we now look at it the other way round and start by surfing for alternatives to the old terrestrial networks now that *Saturday Night Live* has gone stale and *Northern Exposure* has gone south.

Choice we have. There is something called DSS, a satellite operation, which purports to bring 500 channels into the den or breakfast nook. District Cablevision, our Washington supplier, may not be so perfect since it is forever switching channels and reception frequently goes fuzzy whenever it rains. But, give or take a bit, it offers about 70 channels, in many different languages, for $26.80 a month, good value especially when the sumo wrestling is on from Japan.

To seers like Newt Gingrich, our gentle and retiring Speaker of the House of Representatives, this is nirvana. It means the great American public can get the truth from GOPTV (the Republican Party's propaganda channel), and Rnsb Limbaugh in the considerable flesh, as well as comforting nature documentaries on the Discovery Channel. This removes the justification for subsidising public television and eliminates interference from liberal gatekeepers of the news or environmentalists intent on making everybody feel guilty.

Actually, people are watching more cable and less network television in droves, but for a very particular reason called OJ. CNN's ratings, previously lifted by the Gulf War and earlier celebrity and prurient court cases, have gone through the relative roof courtesy of its wall-to-wall coverage of the Simpson trial. Some cynics have suggested that Ted Turner needed to accept Time Warner's generous take-over offer before the ratings started to drop with the verdict. Other cable channels devoted to OJ hava also profited and one of them, Court TV, in an initiative that can only be praised, is now moving on to the Balkan war crimes tribunal in The Hague.

Cable also makes useful unfiltered contributions to knowledge of more important public affairs than OJ. Anybody who wants to know why Washington, DC, is so badly governed only has to watch its hapless council's meetings, coverage of which is thoughtfully provided on none other than the DC government's own cable channel.

Best are the two C-Span channels which offer gavel-to-gavel air time to both houses of Congress, incidentally proving that neither is a great debating chamber. Bnt it supplements that, when bonourable members are asieep, in recess or otherwise engaged in nefarious activities, with chunks of useful policy wonk talk.

C-Span's arcbitect – and chief moderator – is tha wonderfully stone-faced Brian Lamb, not exactly a graduate of the Jeremy Paxman school of interviewing but to be admired, nonetheless, for having raised total neutrality to art form.

Playing it straight can, however, bring its own distortions. Congressional bearings on Ruby Ridge and Waco, both aired at length and without much accompanying context, could have left the impression that the largest crisis in America was brought about by ruthless federal agents intent on abridging the civil rights of innocent white supremacists and peace-ioving though well armed religious cultists.

It took last week's taut ABC documentary, part of its *Turning Point* series, on "The Order", a paranoid right-wing group which did more than its share of murder and robbery in the early 1980s, to provide a necessary antidote.

It would be unfair not to point ont that cable is also venturing into original programming, sometimes of merit. A Home Box Office dramatisation of Harry Truman's decision to drop the bomb on Hiroshima was not bad. Showtime is whetting the appetite with a series prodnced by Norman Jewison called *Picture Windows*, which features good actors and directors in half bour dramas on or about the paintings of Hopper, Botticeili, Degas and Hockney. Nor can it be overlooked that cable is just about the only place to find classic movies available without commercial interruption.

All that said, it must also be stated that dross and schlock movies, alternative comedy, sex, violence and sport is the staple fare. That may suffice addicts of Schwarzenegger, kung-fu and the Baltimore Orioles bnt it rarely stimulates what passes for the brain. In fact it may be doubted that Zalman King's soft core *Red Shoe Diaries* even sncceeds in stimulating other parts of the body.

But inspiration cannot be found on the commercial network side, where this year's new season demonstrates yet again that nothing succeeds or fails, in TV as in the stock markets, like a derivative. Thus no less than 27 of the 42 new regular shows are sitcoms ("a new and daunting record," according to Tom Shales, who watches TV for a living for the Washington Post).

Almost all are about Generation X-ers, to tbe point where it becomes no more easy to distinguish between this crop of trnly loveable, bopelessly indecisiva unmarried urbanites and orphans inhabiting cyberspace or newspaper offices than it is to remember who played whom on the Brady Bunch. Seinfeld has a lot to answer for.

Even the star who took sitcoms into a new dimension in the 17th century, Mary Tyler Moore, is back again with a derivative twist. Jaw almost wired shut, she plays a crusty newspaper editor in *New York News* (CBS) in the manner of Glenn Close *(The Paper)* and Ed Asner in *Lou Grant*. *JAG* (NBC) is a straight imitation of the movie *Top Gun*. A new series of *X-Files*, now acquiring the sort of cult status occupied by the first *Star Trek*, has clear roots in Rod Serling's old *Twilight Zone*.

Murder One, which has received good reviews and is tightly written and acted, owes a big debt to OJ because its whole season is devoted to the resolution of one court case. *ER*, the most popular show on television, is not about the House of Windsor but stands for a hospital emergency room, which means its TV lineage is even older than Mary Tyler Moore.

No, however the box is spliced or watched, this is not the golden age of American television. There is a lot of it, though; so much that you tend to forget what night to stay in or go out.

Theatre

What a Show!

The title of Tommy Steele's whistle-stop tour of his four decades as an all-round entertainer verges on hubris. The large fan club contingent in the first night audience was predictably rapturous; elsewhere, though, could be spotted a frozen-jawed rictus of disbelief.

Steele'a ego pervades every aspect of the show. His name looms above the title; no director is credited (we infer that it is Tommy's baby); most ridicnlously, the cast list in the programme is precisely one name long. The last touch is perhaps meant to be comical, bnt it is also noticeable that during the curtain call – more properly, the first curtain call, since two "encores" have plainly been directed as integral parts of the show – his 10-strong ensemble is absent. The applause is to be Tommy's alone.

Make no mistake, the Bermondsey boy knows how to put a show together. The assemblage of numbers, winsome gags and audience-charming sessions is the kind of variety package one did not think were made any more. His ensemble, changing costumes several times from traditional chorus-line drag to cartoon cockney for "Flash Bang Wallop!" to Lycra-medieval for "The King's New Clothes", disport themselves with vast energy and fixed grins. The evening is as inoffensive as a vicar's tea party, even when Tommy professes to "rock out" – he is possibly the whitest person ever to play "Johnny B Goode".

Steele has a wealth of experience to draw upon, from his early career as a rocker through co-starring with Fred Astaire in *Finian's Rainbow* to his recent stage outings in *Singin' in the Rain*. He trades nakedly on his past and on his cheery Cockney stock, but is either too old (at 58) or too complacent to pot in the energy he demands of his supporting performers.

Most of his dance routines are of the "nonchalant glide" kind; his voice is evidently still strong, but his delivery has degenerated Into a lazy pub-singer croon. The early hit "Singing the Blues" is given a blaring, Elvis-in-Vegas arrangement. I have always believed "Bridge Over Tronbled Water" to be an overrated song, but the almost jaunty, similarly brass-heavy treatment bestowed upon it here merits a cnstodial sentence. It is hard to tell for certain, but on a couple of numbers he may even be lip-synching. The cleverest routine, in which Tommy as Don Quixote gallops around the stage in front of a comically speeded-up film of English country roads, shows its age in the antiquated cars which veer across the screen.

Tommy Steele undeniably knows his craft, but on the evidence of *What a Show!* he can either no longer pull it off or, more worryingly, has come to believe that after so long, adulation is his as of right. It is not.

Ian Shuttleworth

Prince of Wales Theatre, London W1 (0171 839-5972/5987).

Tommy Steele: his ego pervades every aspect — Alastair Muir

Flanders meets New York

Clement Crisp admires the choreography of Christopher d'Amboise and Danny Rosseel

The autumn round of dance performances has begun, and as with many other tronpes in Europe, the Royal Ballet of Flanders takes to the road. It is an enterprising company, celebrating its silver jubilee this year, and under the direction of Robert Denvers it has gained a repertory that balances novelty and tradition. (*Giselle* and *La fille mal gardée*, contemporary full-length pieces, works by Balanchine and new talents, and by the resident choreographer Danny Rosseel, are a typical season's schedule).

The first offering this autumn is a quadruple bill entitled *Antwerp-New York*, not surprisingly since it contains a creation by Rosseel and three works by Christopher d'Amboise, a product of New York City Ballet. I saw it last week in the Stadsschouwburg at Leuven, a small, well-designed opera house blessed with some splendidly earnest Art Deco decoration. The main foyer provides murals that celebrate tha triumph of heroic but undefined enterprise. Over tha proscenium arch the arts pass in determined array – someone seems to have been killed, but the play goes on – and there is a ceiling in which be-gauzed ladies take to the skies in celebration of successful treatment for cellulitis. Outside, in a handsome and unspoiled city, *flamboyant* Gothic architecture shines in the autumn sun.

Christopher d'Amboise, son of the eminent danseur Jacques d'Amboise, is an artistic child of Balanchine and Robbins. He danced joyfully with NYCB, then left to work on Broadway, wrote a youthful book of memoirs, and has been director of the Pennsylvania Ballet. He knows how to make dances. His three pieces for the Flanders troupe have a common bond of craftsmanship – immersion in the NYCB repertory is the best of edncations for a dance-creator – even if they are not uniformly successful.

A creation for Flanders, using four unconnected Bach chamber works, begins well as d'Amboise extends the Balanchinian device of a couple dancing against a small attendant group with real imagination, but loses cohesion. Absolutely sure, though, is his realisation of Bartók's Music for strings, percussion and celesta under the title *The Golden Mean*. D'Amboise reflects tha sonorities and emotions of the music with a lively sense of their physical and dramatic weight. The dance is by turns sinewy, night-haunted, full-blooded, and performances – by Aysem Sunal and Xiomara Reyes, Eric Frédéric and Priit Kipson, are clear and expressive.

I found the ballet convincing, in its view of Bartók and as a view of d'Amboise'a skill. And in making a series of lollipops to tunes by Cole Porter and Irving Berlin with which to end a programme, d'Amboise did what he had to do with plenty of flair. *Just One of Those Things* is what one might expect from a well-educated (NYCB *and* Broadway) dancer. It was zippy and was zippily danced – it could be much more zippily dressed and lit – and fun. All the right clichés were in all the right places, brightly set to look like new, and the audience left smiling.

Rosseel's *Disregarding Changes* is choreography at the mercy of its score. The third movement of Gorecki's third symphony (a soprano intoning against the relentless in-and-out of dull chords) is probably inspirational, and may well pass for sublime, but it is a quagmire for dance.

Rosseel's text is concerned with the mutability of feeling and humanity's power to overcome loss. The dance surges out of darkness as couples meet and part, and the choreography has a statuesque dignity owed to Rosseel's skill in imposing dynamics on this static score. The movement has purpose, but the music clogs every step. The company performance, here as throughout tha evening, was serious, well-schooled.

The Royal Ballet of Flanders tours this programme through Belgium and Holland until mid-December.

Concerts/**Adrian Jack**

Schiff's Beethoven with Sanderling

On Saturday evening András Schiff and the Philharmonia Orchestra conducted by Kurt Sanderling played no fewer than three of Beethoven's five piano concertos – No 2, the Cinderella of the set, No 3, the grandly classical, and No 4, the most poetic. At least, that is how they seem when compared in the memory rather than in one concert.

Schiff is a remarkably reliable musician, and it goes without saying that he was note perfect and gave his all to each work. But he has a strong style of his own which made itself felt throughout the concertos' very different characters. Never has a pianist sounded so clear nor projected so comfortably in this hall.

In the second concerto, Schiff's very deliberate characterisation of the first movement's development section approached the didactic, though the big cadenza later was probed with tremendous intellectual energy. In the slow middle movement he was inclined to be ponderous.The finale was brisk, without any dwelling over points where it has become traditional to linger a little.

If Schiff was determined not to resort to such blandishments, he nonetheless produced a ravishing stage whisper over the orchestra's re-entry at the end of the third concerto's first movement – one of the work's beanty spots. He made a point of holding the right pedal down through certain phrases of the Largo, giving them a discreet halo, while the finale was more straightforward and metrically atrict than it often is. Schiff never seems merely to accept clichés of interpretation and often has an enjoyable surprise up his sleeve – bere, the seldom-heard cross accents in the coda.

In the fourth concerto, although the number of orchestral atrings was slightly increased, Sanderling still underbalanced the accompaniment at times. The soloist should not always have been quite so dominant. It was a very rational performance, with the wonderfully meaty cadenza in the first movement perhaps the high point of the whole work. If Schiff economised on feeling, that was the price we paid for a test of concentration.

In the orchestra's Music of Today series at 6.00pm, James MacMillan introduced the 27-year-old Welsh composer Pwyll Ap Siôn, whose ten-minnte brass quintet, *A Vibrant Silence-killing Machine*, MacMillan also conducted. It was less brash than the title's reference to a juke box suggested, and even had some thoughtful counterpoint between some raunchy little choruses.

But then the hall may have dwarfed its impact, as it certainly softened the punch of Gerald Barry's sextet, *Bob*. The title stands for Bower of Bliss, but the music is more like a chase through a maze, with two clarinettists outrunning the others. This performance lacked the ultimate degree of excitement, bnt it was also impressively accurate.

Punctuating these two works were three short piano pieces by MacMillan himself, played by Michael Round. The first was a spare, sweet little contemplation called *Angel*, the second a strongly gestural lament, alternately violent and frail, called *Cecilian Variation for JFK*, and the last was *Barncleupédie*, a settling of "Will ye no come back again" in tha style of Satie's *Gymnopédies*.

MacMillan suggested these were a pre-echo of the three concertos later on the same evening, but the programme he devised was a lot more digestible than the main concert.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Stedelijk Tel: (020) 573 2911
● Christiaan Bastiaans: giant video installation; from Oct 14 to Nov 26
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 12, 15 (1.30pm), 17, 20

■ BALTIMORE

CONCERTS
Symphony Hall Tel: (410) 783 8000
● Baltimore Symphony Orchestra: with soprano Janice Chandler. Christopher Seaman conducts Bach, Villa-Lobos, R. Strauss and Schumann; 8pm; Oct 13, 14, 15 (3pm)
● Baltimore Symphony Orchestra: with soprano Harolyn Blackwell, mezzo-soprano Delores Ziegler and tenor Karl Dent. Robert Shaw conducts Barber and Mozart; 8.15pm; Oct 19, 20, 21
● Tha Philadelphia Orchestra: Wolfgang Sawallisch conducts Wagner's "Faust, Overture", "Symphony No.2" and "Rienzi, Overture" and Beethoven's "Symphony No.4"; 7.30pm; Oct 11.

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Götterdämmerung: By Wagner. Conducted by Jiři Kout and directed by Götz Friedrich, this performance concludes the complete cycle; 5pm; Oct 15
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani; 7.30pm; Oct 13, 21
● Siegfried: by Wagner. Conducted by Jiři Kout and directed by Götz Friedrich; 5.30pm; Oct 12

■ BONN

GALLERIES
Kunst-und Ausstellungshalle Tel: (0228) 917 1236
● Bernhard Heiliger: tribute to the sculptor on his 80th birthday with a retrospective that includes sculptures, reliefs and drawings; to Oct 20

■ LONDON

CONCERTS
Queen Elizabeth/Hall Tel: (0171) 926 8800
● London Mozart Players: with pianist Cécile Ousset. Matthias Bamert conducts Mozart, Fauré, Saint-Saens and Bizet; 7.45pm; Oct 11
Royal Festival Hall Tel: (0171) 928 8800
● Philharmonia Orchestra: with pianist András Schiff. Kurt Sanderling conducts Beethoven's "Piano Concerto No.1" and "Piano Concerto No.5 (Emperor)"; 7.30pm; Oct 11
● The London Philharmonic: with soprano Rosalind Plowright and the London Philharmonic Choir. Roger Norrington conducts Beethoven, Gluck, Weber, Berlioz and Spontini; 7.30pm; Oct 15
● The London Philharmonic: Roger Norrington conducts an all-Berlioz programme; 7.30pm; Oct 18
GALLERIES
Photographers Gallery Tel: (0171) 831 1772
● Appeal to this Age: photographs of the American Civil Rights Movement by artists such as Gordon Parks and James Karales; to Oct 14
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● The Marriage of Figaro: by Mozart. Conducted by Bernard Haitink/David Syrus and directed by Patrick Young. Soloists include Felicity Lott/Cheryl Studer, Andrea Rost/Barbara Bonney and Robin Leggate/Ryland Davies; 7pm; Oct 13, 16, 16
● Tosca: by Puccini. Conducted by Simone Young and directed by Jeremy Sutcliffe. Soloists Include Galina Gorchakova, Johan Bohta and Francis Egerton; 7.30pm; Oct 12, 17, 20

■ LOS ANGELES

GALLERIES
Museum of Contemporary Art Tel: (213) 626 6222
● 1965-1975, Reconsidering the Object of Art: exploration into the development of contemporary art between 1965-75 and how the artistic community began to re-examine form, function and meaning; from Oct 15 to Feb 4
● Division of Labour, Women'a Work in Contemporary Art: paintings by male and female artists are used to explore issues of gender in artmaking; to Jan 7

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Lincoln Center Jazz Orchestra: Wynton Marsalis conducts a programme that includes Ellington, Monk and Mingus; 8pm; Oct 16
Carnegie Hall Tel: (212) 247 7800
● New Orleans to Now: with the Carnegie Hall Jazz Band, this concert gives an overview of the history of jazz from early New Orleans through the swing years of bebop; 8pm; Oct 12
● The Met Orchestra: with bass baritone Bryn Terfel. James Levine conducts Mahler's "Kindertoten lieder" and "Symphony No.6"; 3pm; Oct 15
GALLERIES
Guggenheim Tel: (212) 423 3500
● Claes Oldenburg: an anthology of works by ona of the key figures of Pop art in the 1960's. This exhibition includes a new piece entitled "Shuttlecock"; to Jan 14
Museum of Modern Art Tel: (212) 708 9480
● Annette Messager: retrospective of the French artist consisting of books, photographs and installations that demonstrate how all things can represent objects of expression; from Oct 12 to Jan 18
Whitney Museum
● Edward Hopper: impact on American art by the artist through 65 works; to Oct 15

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● José van Dam: bass baritone accompanied by pianist Maciej Pikulski plays Schubert's "Le Voyage d'Hiver"; 8.30pm; Oct 14
● National Orchestra of France: with bass baritona José van Dam. Serge Baudo conducts Berlioz, Delibes, Massenet and Wagner; 8.30pm; Oct 17
● National Orchestra of France: with pianist Andreas Haefliger. Claus-Peter Flor conducts Mozart and Bruckner; 8pm; Oct 21

■ VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 1363
● Austrian Radio Symphony Orchestra: with alto Iris Vermillion. Pinchas Steinberg conducts Einem, Korngold and Bruckner; 7.30pm; Oct 13
● Recital Evening: with baritone Andreas Schmidt and pianist Rudolf Jansen; 7.30pm; Oct 14

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with pianist Horacio Gutiérrez. Raymond Leppard conducts Brahms' "Tragic Overture" and "Piano Concerto No.1" and Schubert'a "Symphony No.4"; 7.30pm; Oct 12, 13, 14
● National Symphony Orchestra: with pianist James Tocco. George Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninov'a "Symphonic Dances"; 8.30pm; Oct 19, 20, 21
● Washington Chamber Symphony: Stephen Simon conducts Vivaldi, Argento and Haydn; 7.30pm; Oct 13, 14
GALLERIES
National Gallery Tel: (202) 737 4215
● A Great Heritage: Renaissance and Baroque drawings from Chatsworth consisting of 105 works by artists such as Rembrandt, van Dyck and Raphael; to Dec 31
OPERA/BALLET
Kennedy Center Tel: (202) 467 4600
● Suzanne Farrel Staged Balanchine: an evening of George Balanchine choreographed pieces performed by the Washington Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 17, 18, 19, 20, 21
THEATRE
Arena Stage Tel: (202) 488 3300
● The Plough and the Stars: by Sean O'Casey. Tragicomedy of urban warfare during tha Easter Rebellion against the British. Directed by Kyle Donnelly; to Oct 15
Shakespeare Tel: (202) 393 2700
● Macbeth: by William Shakespeare, directed by Joe Dowling. Cast includes Stacy Keach; 7.30pm; to Oct 21

WORLD SERVICE
BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

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MONDAY TO FRIDAY

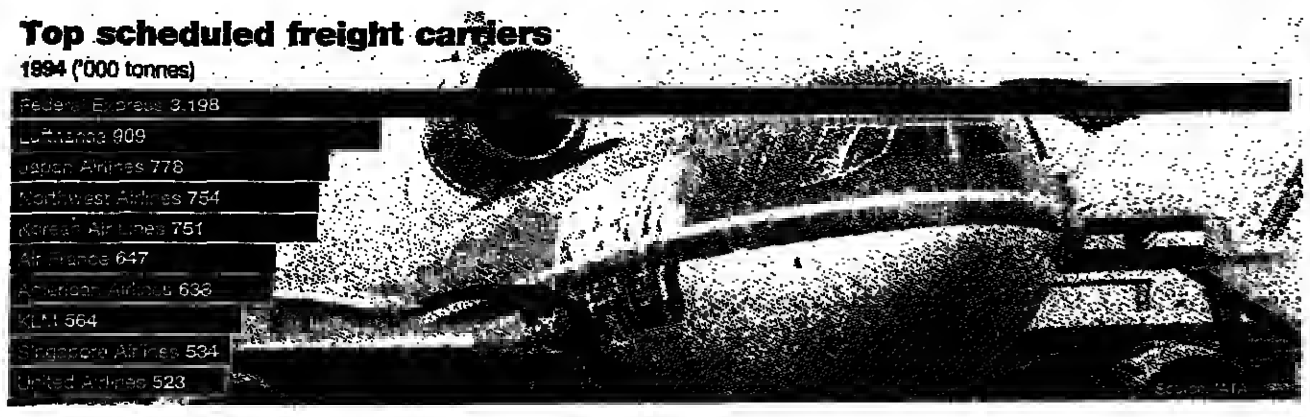
NBC/Super Channel:

07.00
FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 14.00 of European business and the financial markets

17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight



US cargo airlines want greater freedom, says **Michael Skapinker**

A load on their minds

Mr Doyle Cloud visited a restaurant outside Glasgow recently and asked the owner how he could get some Scottish salmon sent to his home in Tennessee. The restaurateur offered to arrange it himself, using Federal Express.

The delighted Mr Cloud, a vice-president of the US transport company, passed the story on to his boss, Mr Frederick Smith, to use as an illustration of the importance of Federal Express to UK exporters.

Had the restaurateur wanted to ship the salmon to continental Europe or Asia, he might have run into problems. There are tight restrictions on the movements of US cargo airlines operating from the UK – restrictions that could lead to conflict between the US and UK governments when aviation negotiations between the two countries resume in Washington later this month.

The US demands for greater freedom for cargo operators have won the support of UK-based manufacturers, particularly in Scotland, which say their export efforts are being hampered because UK air freight companies are too small to move goods in the volumes they require.

The fight for greater access for US cargo operators is led by Federal Express, the world's largest freight carrier. The group carried 3.2m tonnes of cargo last year, more than three times as much as its nearest freight competitor, Lufthansa of Germany.

Federal Express was at the centre of a recent bitter dispute between the US and Japan over air cargo. The row was defused in July when Japan agreed to allow Federal Express to begin flying from Tokyo and Osaka to Malaysia, Taiwan and the group's hub at Subic Bay in the Philippines.

Mr Smith, Federal Express chairman, has now turned his attention to the UK, saying that unless his group's demands are met, relations between the US and UK could be damaged.

Some in the UK aviation industry regard Mr Smith's talk as bluster. However, participants in the latest round of talks between the two countries last month say Federal Express succeeded in pushing the air freight issue on to the agenda, alongside longer-standing US passenger airline demands for greater access to London's Heathrow airport.

Federal Express does not use Heathrow: its UK cargo operations are based at Stanstad airport, Essex, and Prestwick, Ayrshire. Mr Smith says the difficulty for Federal Express is that, while it can fly into the UK, it can only fly on to the Netherlands, Germany, Belgium, India, Turkey and some destinations in the Middle East.

A successful freight operation needs to fly to a large number of destinations

A successful freight operation requires the ability to fly to a far larger number of destinations, he says. People who fly on aircraft make a return trip. Goods fly only one way.

A cargo company flying freight from the US to the UK might have difficulty filling the aircraft for the return journey. With a range of destinations to fly to, cargo companies can work out a web of routes which result in the most effective use of aircraft space.

However, British companies' air freight operations are far smaller than those of Federal Express and they fear their businesses will be severely damaged if the US group is allowed to operate freely.

The biggest UK cargo carrier, British Airways, while one of the world's leading passenger airlines, is not even one of the world's top 10 freight carriers.

However, after reducing its cargo activities in the mid-1980s, BA is investing in the freight business.

The UK negotiators have told Federal Express they are prepared to grant it additional rights to fly from the UK to Australia, New Zealand, Malaysia and Singapore. But they have not offered the US group the right to fly to other European or Asian destinations.

The UK particularly fears the market dominance Federal Express would acquire if it were allowed to fly from the UK to Subic Bay, which it could use as a hub to move cargo throughout Asia. This would be unfair, says the British side, as the UK has the right to fly to the Philippines only three times a week, and only if it makes royalty payments to Philippine Airlines.

One UK aviation source says: "When FedEx makes the pitch that British people are being disadvantaged, we challenge that and find little evidence. We don't accept their assertion that the British manufacturer and exporter are being badly served."

However, Scottish Enterprise, the regional development agency, supports Federal Express's demands. So does the Scottish Partnership for Effective and Economic Distribution (Speed), a trade association with 80 member companies dominated by US electronics groups that have invested in Scotland.

Mr John Henderson, Speed's chief executive, says most of the components for the electronic products made in Scotland come from the US and the Pacific rim, while 80 per cent of finished goods are exported to continental Europe. While Federal Express can fly the components in, it cannot transport finished products out.

Mr Smith says he would like to see the cargo issue discussed outside the framework of bilateral aviation negotiations, which tend to focus on passenger transport.

Some UK participants in the aviation negotiations believe the Federal Express stance is naive. The UK is unlikely to accede to demands for greater rights for US cargo carriers unless it receives something in return.

The UK, however, wants little in these negotiations, although a longer-term dispute over foreign ownership of US airlines remains unresolved. Apart from greater access to US government travel and mail contracts, the only pressing UK demand is that Virgin Atlantic be allowed to fly to Boston from Heathrow rather than from Gatwick.

Mr Smith hopes to persuade the UK that its attractiveness to foreign investors will be damaged unless Federal Express gets its way. Given the UK's success to date in attracting investment, and BA's powerful voice in British aviation policy, he has some distance to go.

Stars in a material world

Alice Rawsthorn explains how top musicians are earning bigger sums for their records

When Janet Jackson switched record labels four years ago she signed up with Virgin in a deal worth up to \$50m. Her contract is now up for renewal, but the asking price is \$80m.

Virgin is loath to lose a megastar such as Ms Jackson. PolyGram, which lost her to Virgin in 1991, is anxious to sign her; so is Mr David Geffen, the billionaire music mogul who is courting stars for his new DreamWorks label and recently joined forces with Virgin to clinch a \$50m deal with the singer George Michael.

Big musicians were once routinely squeezed in their contracts with record labels, but the tide has turned in their favour. The handful of superstars who can sell millions of records all over the world, such as Janet Jackson and the group R.E.M. – which only has one more album to make to fulfil its existing Warner contract – can dictate the terms of their deals and sell themselves to the highest bidders.

One reason is the fierce competition among the major record labels to sign them. The "big five" which command two thirds of the \$35bn world music market – Sony, PolyGram, EMI, Warner and BMG – are anxious to hold on to their most successful acts.

Virgin is particularly protective of its superstars as speculation mounts about the possible sale of EMI Music, its owner, after its demerger from Thorn-EMI, the UK leisure group, next autumn. Similarly Warner is anxious to protect its roster after a year of turmoil in which its entire senior management has changed. It recently re-signed the singer Neil Young in a \$25m deal and settled a legal case with the heavy metal band Metallica.

Meanwhile MCA, the world's sixth largest music group, is intent on expansion after its takeover earlier this year by Seagram, the Canadian drinks group. And Mr Geffen is, as one rival put it, "terrorising us all with his cheque book".

Life has not always been so easy for artists. The Beatles received a royalty of one penny for each record sold under their 1962 contract with EMI.

They were in a stronger negotiating position – having sold 200m records worldwide – by the time they negotiated a new deal in 1967. EMI was so desperate to keep them that it agreed to a lucrative nine-year contract and gave them their own label, Apple.

Another turning point for artists was the Rolling Stones' split with their manager, Mr Allen Klein, in 1971. The band filed a \$29m lawsuit against him for "mismanagement of funds" and signed a \$5m deal with Atlantic, now part of Warner. They also became one of the few acts to retain ownership of their mastertapes, or original recordings.

The Stones, and their fellow superstars, have since employed armies of entertainment lawyers to help them thrash out increasingly lucrative deals with the record labels.

Most artists are given a standard royalty of 15 per cent on around 85 per cent of the sales of their recordings, but only start to receive royalties after various costs have been deducted, such as video production, promotion and even the packaging of their compact discs and cassettes.

A superstar would expect to receive royalties of at least 20 per cent on almost all their sales. George Michael and Madonna receive 20 per cent. Janet Jackson and her brother, Michael, get 22 per cent. They can also extract commitments from their record companies to spend specific sums of money on promotion and video costs.

The most sought-after artists are allowed to buy back their mastertapes. The final sweetener is their own label. "Vanity" labels featured on a number of early 1990s deals including those for Michael Jackson, Madonna and the artist then known as Prince.

Although pop stars undoubtedly make more money than in the past, the record companies, unlike the Hollywood film studios, show no sign of suffering from soaring talent costs. This is partly because the music business is showing strong growth as new regional markets emerge in Asia and eastern Europe. Retail sales rose by 16.5 per cent to \$35bn in 1994 and are increasing at a similar rate this year.


Setting the tempo: a handful of superstars such as R.E.M. (top) and Janet and Michael Jackson can dictate terms

Moreover, although deals often seem to offer generous terms to the artists, they are almost always performance-related – thereby loading the odds in the labels' favour. Prince's lawyers claimed his 1992 deal with Warner was worth \$100m with \$10m advances for each album and 25 per cent royalties. Prince was also made a vice-president of Warner, which took a 50 per cent stake in his Paisley Park label.

But the following year Prince announced his "retirement" as a recording artist and changed his name to an unpronounceable symbol. He then started appearing in public with "Slave" written on his face. Warner has closed Paisley Park and will recoup its \$10m-plus investment from the star's future royalties. It has also disclosed that the \$10m advances depended on each album selling 5m copies, which none of the recent releases have done.

This means that record companies can massage their stars' egos by announcing multi-million dollar deals, while protecting themselves from downturns in the artists' careers. Warner achieved a net profit margin of 18 per cent in 1994 (typical for the industry) when relations with Prince hit their nadir. In the meantime the labels can still profit from their successful artists, particularly if they actually make a commercial success of their vanity labels by signing new talent.

Madonna's label, Maverick, is by far the most successful of the early 1990s "vanity" labels. It has signed a series of hit artists including Alanis Morissette, the Canadian vocalist who now tops the US album charts with *Jagged Little Pill*.

The artists now starting negotiations with their record companies, such as Janet Jackson and R.E.M., hope to extract even more profitable deals than those struck by Madonna, Prince and Michael Jackson in the early 1990s. The experience of Neil Young and Metallica suggests that market growth coupled with the emergence of MCA and DreamWorks as rivals to the "big five" puts them in an excellent negotiating position.

As for the labels, they are gambling that they will emerge from the current signing spree with a Madonna and an Alanis Morissette on their rosters, rather than an unpronounceable symbol.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Convincing argument for single European air traffic control

From Mr K-H Neumeister.

Sir, In your article "UK opposes unified air traffic" (October 6), Sir Christopher Chataway, chairman of the UK's Civil Aviation Authority, was quoted as saying there was "no convincing argument" for a single European air traffic control (ATC) system. "This is a collection of very complicated businesses operating in 34 different and highly political environments. It is unlikely that the political and management genius exists to run all these organisations as a single entity," he said.

There is a convincing argument, and it is that the European ATC is a shambles – ask any frequent flyer. Within the 34 systems there are 52 ATC centres, with 18 hardware suppliers, 20 operating systems and 70 programming languages. That is the problem.

The Association of European Airlines has had a blueprint for a single European system on the table since 1989. It would save the airlines and their customers millions of dollars and thousands of wasted hours, and would provide room for growth instead of slow strangulation. It doesn't need a "genius"; it needs political will as expressed in so many fields of the European Union and the type of mechanism that led to the single market.

K-H Neumeister,
secretary-general,
Association of European Airlines,
Avenue Louise 350,
B-1050 Brussels, Belgium

Corporate donation unwise

From Mr Greg Perry.

Sir, After all its efforts to reduce the influence of the trade unions on party policy, should the UK Labour party not refuse to accept cash donations from corporate interests (see report on Tate and Lyle's cash offer to Labour: "Company sends cheque to Labour", October 10)?

A political party's policy will always be influenced by the hand that feeds, so would it not be better to keep any offers of corporate donations at arm's length? Indeed, an alternative option for all UK political parties could be a system of state funding (based on the size of electoral support) topped up by *limited* individual contributions.

Greg Perry,
66, Avenue de Cortenbergh,
Brussels 1040, Belgium

Partners still liable?

From Sir Charles Hardie.

Sir, KPMG plans to form a limited company to contract for audits ("KPMG partners endorse audit incorporation plan", October 4). If, as a result of claims, the company went into administration, would not the administrators be able to claim against the partnership for negligence in the work which has been sub-contracted to it?

If this is not so, perhaps it would be better to employ a firm where currently it is so.

Charles Hardie,
Pin House,
Henley-on-Thames,
Oxon, UK

Forecasts, right or wrong

From Mr Walter Grey.

Sir, Economic forecasters writing in admirable self-defence (Letters, October 3 and 4), and others who wish them well, ought not to overlook two basic points.

While they do not, of course, know the future (in the way that, say, astronomers can accurately predict the date and time of a solar eclipse), they do not even (unlike, say, meteorologists) know their present starting-point.

What is more, the published data that will prove them right or wrong is itself imprecise as well as often subject to repeated and perhaps radical revision. So those who happen to be right at first may turn out to be wrong later, or vice versa.

Recognising these special, and seemingly endemic, occupational hazards, economic forecasters should eschew, rather than espouse, a totally spurious, decimal-point precision, which can only militate against the accuracy of their offerings.

Their fallibility – but not, therefore, humility – being matched only by the gullibility of the rest of us, moreover, their industry should perhaps be subjected to regulation, if not performance-related pay.

Walter Grey,
12 Arden Road,
Finchley,
London N3 3AN, UK

Small change

From Mr Stanley Crossick.

Sir, Now that a name for the single currency appears to have been reached, we need to decide what to call one-hundredth of a Euro.

A Eurotom?

Stanley Crossick,
Belmont European Policy Centre,
42 Boulevard Charlemagne,
B-1040 Brussels, Belgium

Digital potential being forgotten in furore over Labour/BT deal

From Mr Mark Shurmer.

Sir, The political furore over Labour's "deal" with BT threatens to obscure the wider debate over how best to ensure that UK consumers benefit from the information revolution.

That the asymmetry rule should be gradually relaxed is not really in dispute, though there perhaps remains a doubt about the appropriate timescale over which this should take place. Rather more questionable is the linking of this policy to the objective of developing a universal fibre optic network. The two are not connected, nor is the latter necessarily desirable.

BT's assertion that only the provision of entertainment services could justify the estimated £15bn cost of bringing optical fibre connections to every home – the so-called "glazing the nation strategy" – simply does not add up. Under current legislation, BT is already able to provide point-to-point services such as video-on-demand, home shopping and home banking. Only point-to-multipoint (ie, broadcast services) are proscribed.

Since the cable companies are singularly unable to make a profit from offering such television services, it remains far from clear how BT's access to these revenues could justify such a huge investment programme. No matter what the regulatory regime, uncertain consumer demand will mean that, at best, a patchwork network will develop, servicing only the larger urban areas.

This need not matter, since cable offers neither the only nor the best route for delivering the new information services to the home. Digitalisation means that wireless technologies such as satellite systems and terrestrial broadcast networks present far more cost-effective alternatives. Unlike wired solutions, they do not require costly upgrading along the transmission path.

Universal coverage can therefore be achieved for a cost of millions of pounds rather than the billions required for cable. Interactivity can be provided by offering a return path via the existing telecommunications infrastructure. The resulting networks would offer a handwidth capability more than sufficient for most domestic uses.

By all means, Dr Cunningham [UK shadow trade and industry secretary], relax the asymmetry rule, but ensure that your underlying motivation for this is correct. Do not expect the result to be a universal fibre optic network. The information services of the future are just as likely to be delivered over an information superskyway as down an information superhighway.

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FINANCIAL TIMES

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Wednesday October 11 1995

Mr Chirac's choices

The challenge confronting the French government is how to make what is now widely disbelieved more credible. Mr Alain Juppé, the prime minister, has to convince financial markets, the French people, and his boss, President Jacques Chirac, that continnation of his middle-of-the-road policiea will deliver austained growth, lower unemployment and a general government deficit that falls within the Maastricht treaty criterion of 3 per cent, by 1997. Should he fail, something must change, be it the refusal to cut spending more decisively, the cautious approach to labour market reform, the commitment to the *franc fort* – or the prime minister.

The workability of an exchange-rate commitment depends on its credibility. But credibility depends on whether its consequences are tolerable. If they are not, France will be seized in a vicious spiral of high interest-rate differentials vis à vis Germany, inadeqnate growth, excessive fiscal deficits and high unemployment.

Performance over the past two years has, in fact, been encouraging. Economic growth ran at an annual average rate of 2.7 per cent in the two years to the second quarter of 1995, while the unemployment rate declined from 12.7 per cent in May 1994 to 11.4 per cent in August 1995.

Yet financial markets are sceptical. Although well within its wide band in the ERM, the franc has depreciated by more than 2 per cent against the D-Mark since mid-September. On Monday the Bank of France raised its 24-bour lending rate from 6.15 per cent to 7.25 per cent in response. Three-month interest rates are three percentage points higher than in Germany. The interest-rate differential on 10-year bonds has tended to grow since early 1994 and is close to one percentage point.

One reason for the doubts is politics. Mr Chirac was chosen by voters who wanted – and were promised – real improvements in their lives, above all more jobs. Yet on present policies they are unlikely to see much change for years. Continued declines in unemployment would be greatly helped by faster growth. But it is questionable whether the combination of fiscal tightening with pressure on interest rates, either from donbts about the parity or a turn in the German interest-rate cycle, would allow growth to continue at an acceptable rate.

Scepticism about the sustainability of policy is reinforced by the state of the public finances and the weight of structural unemployment. Together, both convince the sceptics that France is in a poor state to enter into a binding monetary marriage with an increasingly demanding Germany.

With direct spending on unification stripped out, Germany's ratio of general government spending to gross domestic product is 45 per cent, nine percentage points lower than that of France. Yet even modest attempts to cut the bloated French public sector evidently meet fierce resistance. Similarly, on virtually every measure of employment and unemployment, French performance is worse than in western Germany. With the French government determined to use public spending as the tool for job creation, can it cut the fiscal deficit from 5 per cent to 3 per cent of GDP by 1997 and keep it there?

France is falling into a credibility trap. One escape would be to act more decisively against public spending and hope that, with entry into Emu then more credible, interest-rate differentials against Germany would disappear. But French long-term nominal interest rates can never be durably below German ones and long-term real rates could also be below German leveis only if its inflation were higher.

A braver approach would be to cut short-term interest rates as well, allowing the franc to fall within the wide ERM band. There is far more to solving France's problems than a really dynamic cyclical recovery. But everything would be simpler, including efforts to cut pubbc spending and tackle labour market rigidities.

France can also continue as at present. It is the easiestchoice. But fortune is more likely to favour the bold.

Rational prize

The Royal Swedisb Academy of Sciences yesterday awarded the Nobel economics prize to a theorist wbose work is associated with gloom – both about governments' scope for inflnencing the economy and economists' ability to understand it. Yet the real message of Professor Robert Lucas's is more nplifting.

His most influential work has been in simply teasing ont the implications of having faith in human beings' ability to learn from their mistakes. Governments can "apend their way out of a recession" once, perhaps. But, as Prof Lucas pointed out in the mid-1970s, sooner or later the public will spot the difference between inflation and real growth, and adjust their behaviour accordingly. The conceit that governments can persistently persuade voters otherwise is only a recipe for stagflation.

This was a bumbling insight for politicians more used to postwar demand management. But governments can also learn from past mistakes. Politicians can adopt policies which foster long-term non-inflationary growth, but voters will not adjust their behaviour accordingly until they have reason to believe their promises.

Prof Lucas's insight that economies are full of people trying *not* to repeat the past also poses a challange to economists. Such economies may not react to future events as they did in the past. Attempts to incorporate this truth into economic models have led to ever-more complex mathematics and often unrealistic assumptions about the way people behave. But the pre-Lucas paradigm, whereby economists ignored the role of expectations in determining people's behaviour, was hardly more "true to life".

Prof Lucas'a work took the simplicity out of policymaking and economics, bumbling both in the process. Bettar an economics, however, which assumes that people see through politicians' deceptions, than one in which such deception goes unchecked.

Atlantic trade

Mr Malcolm Rifkind, Britain'a foreign secretary, is not the first prominent Conservative politician to declare his government's enthusiasm for the goal of transatlantic free trade. While prime minister, Mrs Margaret Thatcher called several years ago for a free trade area embracing the US, Canada and the European Community, as did her cabinat colleague, the late Mr Nicholas Ridley.

The idea's popularity with such prominent Eurosceptics – and Mr Rifkind's choice of the Conservatives' annual conference as a platform – invites qnestions about his motives. It is tempting to conclude that they are heavily coloured by his party's deep divisions on Europe, and the notion that closer Atlantic ties could somehow offer an alternative to further EU integration.

But if Mr Rifkind's agenda extends beyond simply rallying the party faithful, what does he have in mind? He presented his proposal yesterday as a grand British initiative.

But his government is no longer a free agent in trada policy, which is decided collectively by the EU Council of Ministers. In any case, further steps to liberalise transatlantic trade are already being actively discussed by Brussels and Washington – something Mr Rifkind omitted to mention yesterday.

The EU-US dialogue reflects growing concerns that, unless steps are taken to restructure relationships forged during tha cold war era, the two sides will gradually drift apart. At first glance, the idea that closer trade links can provide an economic solution to a fundamentally political problem appears attractive. On closer examination, its practical value looks more limited.

In reality, there are few important barriers to transatlantic trade. Moat have already been dismantled in successive multilateral trade rounds. Tha biggest obstacles remaining are in agriculture and textiles, and survived eight years of hard bargaining in the Uruguay Round. Any attempt to negotiate them away bilaterally would seem more likely to produce squabbling than harmony.

European sensitivities on such issues partly explain France's success last week in mobilising opposition to a proposed feasibility study of a transatlantic free trade area. Though that setback is unlikely to torpedo the dialogue with the US, it may restrict its ambitions.

But even modest results may be hard to achieve if suspicions develop that some European governments view free transatlantic trade as a means of weakening EU cohesion. There is a risk that Mr Rifkind's remarks yesterday will be read that way in some other EU capitals. If Britain is to play a constructive role in EU trade policy, he needs quickly to allay such doubts.

Edward Mortimer

Mirror, mirror on the wall

China's sees itself as a vulnerable country facing hostile outside powers – with the US as the main threat in the region

"Tbe emerging giant" has become a beadline-writer's cliché for China. Most experts believe that the Chinese economy will surpass that of the US to become tbe world's largest some time before the middle of the next century.

China is also a nuclear power, a permanent member of the UN security council, and one of the world's biggest arms prodncers and exporters. To the foreign visitor travelling along the seemingly endless grid of freeways in Beijing, or past the innumerable tower-block construction sites of Shanghai, the idea that China will achieve some kind of world dominance in the 21st century hardly seems far-fetched.

But to the Chinese themselves it does. For them, China remains a developing country, poor and backward, still struggling to escape from centuries of foreign interference.

This perspective is partly explained by the conditions in which so many of the country'a people live. China, home to at least one fifth of the world's population, has 100m illiterates. Three quarters of tbe population is still rural and between 70m and 80m people live below the poverty line.

Per capita gross domestic product is very low, between $400 and $500 a year. On a new World Bank calculation of per capita national wealth, including unexploited natural resources, China ranks 162nd of 192 countries, with $420,000 to the US'a $6.6m.

Such facts cropped up again and again in a week of conversations with Chinese scbolars, mostly in semi-official think-tanks in Beijing and Shanghai. China produces only as much electricity as Canada, although it has 40 times the population, says Mr Zhang Wenpu, a former ambassador to that country. He says it bad not occurred to him that China might have a better claim than Canada to membership of the Group of Seven leading economic powers. "It never came into my mind that China should strive for G7 membership. That is not in the Chinese mindset."

China, suggests Mr Zhang, is "just beginning to undergo the process of industrialisation, like the US in the 1860s and 1870s, or Britain 200 years ago". China's goal, according to Mr Mu Hui Min, secretary general of the China Institute for International Strategic Studies, is to reach "the middle level of developed countries" by 2050.

The country is equally modest about its military capacity. Mr Mn reels off statistics to demonstrate that tbe defence budget has declined as a proportion of GDP (from 2.2 per cent in 1985 to 1.2 per cent this year). Even if the total of $7.5bn for 1995 understates the level of spending, it is minuscule compared to the US's $260bn, Japan's $50bn, or roughly $30bn each for the UK, France and Germany.

Prof Zi Zhongyun of the Institute of American Studies claims China's military establishment "thinks it intolerable" that the country's defences have been allowed to fall so far behind. She says she would not be surprised if the figure were to increase next year.

China's nuclear test programme bas provoked regional protests, notably a cut-off of Japanese grant aid. This in turn provokes indignation among Chinese security experts, who point out thet the tests do not violate any treaty, and that China has carried out only 40 tests while the US has conducted more than 1,000, the Soviet Union 600, and France more than 100 tests. Japan, the Chinese say, has no right to protest, being itself under the US "nnclear umbrella" while China is on its own.

"From the very first day China developed a nuclear weapon we declared we would never use it first," says one Chinese diplomat – a declaration the US, UK and France have yet to match.

China developed nuclear weapons, claims Mr Mu, only "because it was forced to do so", seeing itself under threat of nuclear attack, first by the US during the Korean war, then by Nikita Khrushchev, the former Soviet leader, during the Sino-Soviet dispute of the 1960s. Unlike France, China has not committed itself to a finite number of tests, but is involved in the negotiations for a comprehensive test ban.

China insists it has historically always been the victim of aggression, never an expansionist power. The point is difficult to dispute without questioning China's present frontiers, since by and large these include the lands conquered by Chinese emperors in centuries past.

Certainly China does not see its claim to Taiwan, or to the Spratly islands in the South China Sea, as expansionist: merely as restoring the country'a territorial integrity. As for the 1979 invasion of Vietnam – seen by outsiders as an unsuccessful attempt to punish Vietnam for overthrowing the Chinese-backed Khmer Rouge government in Cambodia – this is portrayed as self-defence: "We gave Vietnam a lesson, and withdrew our troops quickly," says one Chinese official.

China insists it has historically always been the victim of aggression, never an expansionist power

All Chinese discussion of foreign affairs 'starts, and much of it also finishes, with the US-China relationship. The Chinese regard friendship with the US as crucial to their economic auccess, but remain deeply suspicious of its intentions. Chinese history prompts them to be constantly on their guard against foreign interference – a concern for which they feel Americans are totally lacking in empathy.

"Americans bave never been oppressed by other countries since their foundation," says Prof Zi. "They had a unique environment in which to develop without interference, until they were strong enough to interfere with others . . . they have the idea that everything American is universal, and they have the urge to export whatever they have to other peoples. The objective result is that they interfere everywhere in the world."

The memory of US support for Chiang Kai Shek, the Nationalist leader, against China's communists both before and after their victory in 1949 remains vivid. It belps explain the furious Chinese reaction to last Jone's "private" visit to the US by the Taiwanese president, Mr Lee Teng-Hui: Beijing recalled its ambassador to Washington and snspended higb-level contacts. Ambassador Zhang, wbo as vice-president of the Chinese People's Institute of Foreign Affairs now has the task of entertaining foreign VIPs, patiently explains to visiting US congressmen thet the visit called in question "the entire ground rules laid down during the 1970s and early 1980s".

The Beijing government was able to accept full diplomatic relations with the US, Mr Zhang says, "only on the premise of Taiwan being properly addressed". The US "could not maintain any official relations" with Taipei, while the Chinese "could not challenge non-official, non-governmental relations" such as trade or cultural exchanges. As long as Mr Lee retains the title of president, "any visit by him cannot but be political", and the US "knew perfectly well what his intentions were". The visit was "not just a nostalgia trip" to his alma mater at Cornell, but part of a concerted programme to win recognition of Taiwan as a separate state. "In a way he achieved his purpose: the visit was very detrimental to the prospect of peaceful reunification of the country. We cannot afford such a trend."

Prof Zi, a specialist on US affairs whose analysis of the forces driving US foreign policy is lucid and non-conspiratorial, nonetheless spells out the implications of the Taiwan issue with ominous clarity.

For years, she says, China has been trying to solve the problem peacefully, "but if, before unification is realised, Taiwan becomes independent – by the so-called Republic of China being recognised in the international community – then from a Chinese perspectiva *other means of solving the problem have to be considered.*" Thus US policy is encouraging those in China "who play on the need for military defence" as against those who favour "concentrating more on peaceful economic construction".

The Chinese regard friendship with the US as crucial to their economic success but remain suspicious of its intentions

Since the Lee visit the US has done its best to reassure China that its "one China" policy haa not changed, and the Chinese are hoping things can be patched up at a summit meeting in New York during the UN 50th anniversary celebrations later this month.

But mistrust and misunderstanding look likely to continue, with the reluctance of Mr Bill Clinton, US president, to host a formal state visit to Washington by President Jiang Zemin. This comes on top of actions sucb as his meeting with the Dalai Lama, the exiled Tibetan leader, his wife Hillary's attack on China at the UN Women's Conferenca, a congressional resolution backing Taiwan's bid for UN membership, and further visits to the US by "personnel from the official side of Taiwan".

"China now looks at deeds as well as words," says Mr Xie Wenqing, a specialist on China-US relations at tha China Institute for International Strategic Studies.

Getting relations back on track "totally depends on US policies, especially on the issue of Taiwan". Professor Chen Peiyao, president of the Shanghai Institute for International Studies, believes a complete breakdown can be avoided but "relations can't be improved to tha extent that the two nations become friends".

Most Chinese experts denounce the US military presence in the region in more or less ritual fashion. They reject the argument that its withdrawal would leave a vacuum whicb another country, such as Japan, might fill. They argne instead thet it could be replaced by a multilateral regional security arrangement in which the US could be involved "as an equal partner".

Prof Zi says that "China is not very concerned about the US presence one way or the other", so long as there is no tension in the Taiwan Strait. There is, bowever, "a very strong concern not to see Japan remilitarised".

On thet last point there is certainly a Chinese consensus. All those interviewed, while stressing the importance of good Sino-Japanese relations, went on to express anxiety about Japan's alleged ambitions to become a political as well as an economic power, the size of its military budget, and above all its leaders' failure clearly to recognise and condemn their country's aggressive role in the second world war.

Not aurprisingly, China bas avoided giving any clear endorsement to Japan's candidature for permanent membership of the UN security council. "If Germany and Japan are the only two candidates, China will be reluctant to accept," says Professor Zhang Yunling, director of the Institute for Asia-Pacific Studies in Beijing. "To keep the status quo for some time would be the best choice."

The US and Japan seem to be the only foreign countries China is seriously bothered by since the demise of the Soviet Union. Its relations with Russia, whicb shares some of its grievances about US behaviour, are now positively warm, and for Europe there are nothing but kind words.

Perbaps surprisingly, tbat includes the UK. Foreign relations specialists make no attempt to echo the vilification of Mr Chris Patten, the governor of Hong Kong, whicb appears in the Chinese media. They acknowledge the existence of "unsatisfactory matters" in the British colony, but do so almost impatiently, as though it were already yesterday's problem.

"I believe that, as one of the most experienced actors on the world stage, the UK will be able to deal with this issoe with China in a smart way," says Prof Chen of the Shanghai Institute. "Any possible instability in Hong Kong would not be good for the interests of China, or of the UK."

Evidently there is room for only one and a half dogs at a time in the Chinese doghouse. Japan is at present the balf dog, and the space for the full one is reserved permanently for the US, even if the Chinese are too fond, or too fearful, of that outsize bound to keep it actually locked up for much of the time.

For many individual Chinese, contact with the outside world oow offers exciting opportunities, both economic and cultural. But for those employed to think about the security of the Chinese state, the outside world remains above all a source of danger.

OBSERVER

Murdoch doesn't know

■ Kerry Packer, the Australian media proprietor, fell foul of his country'a ruling Labor government earlier this year when he publicly endorsed John Howard, opposition leader, as promising prime ministerial material.

Now Rupert Murdoch appears to be sticking his neck out too. The Australian economy, he volunteered yesterday, is in "terrible" shape. Unemployment, he claimed, is running at more than 8 per cent and "34 per cent of youths in Adelaide [the site of the registered headquarters of Murdoch's News Corporation] can't get a job".

How odd. Murdoch's grim assessment contrasts sharply with protestations by government ministers that the country is in for a sustainable bout of non-inflationary growth. Or as Prime Minister Paul Keating put it: "What are people going on about?"

Asked whether a change of government was necessary, Murdoch merely offered a cautious "I don't know". But with a federal election likely early next year and Labor trailing in the polls, maybe he thinks it's bet-hedging time.

Welcome – maybe

■ The French government has been crowing about the value-for-money offered by Vigipirate, a new intensive policing and customs-control strategy, introduced following the recent spate of terrorist attacks.

Not that it's captured lots of terrorists. But the additional border guards have in the last two months spotted 6,935 cases of drugs and arms smnggling, illegal immigration and traffic in false documents.

Great news. Mind you, we always took the French administration's passionate and very public devotion to a border-free European Union at face valne. Maybe we should think again.

Baker's dozen

■ If there's one person that Mahathir Mohamad, the Malaysian prime minister, cannot abide, it's James Baker, the former US Secretary of State.

When straight-talking Texan Baker rode into Kuala Lumpur some time ago he went to see Mahathir. He found him wearing what Baker later told people was a skirt; it was in fact the Malaysian national dress.

But what really made Mahathir see red was Baker's opposition to the formation of an East Asian Economic Caucus – a trade body which has long been a pet idea of the Malaysian leader.

Baker saw the group as an attempt to divide the Asia Pacific region – a caucus without Cancasians – and made his feelings clear in Washington. Baker has never been forgiven.

In recent days Baker's book, *The Politics of Diplomacy*, has been given a lot of attention in Kuala Lumpur. Baker writes of Mabathir's capacity for fomenting mischief. The Malaysian leader says that some Americans are pleasant, some are not, and "Mr Baker is one of the least nice".

Filtered out

■ The Czech Republic's new health minister, Jan Strasky, may be the conciliator Prime Minister Vaclav Klaus requires in order to stub out a strike by doctors planned for November 1; but he's hardly an advertisement for robust good health. He's the first post-communist health minister to be also a heavy smoker.

Isn't he slightly embarrassed, given that his office is responsible for the health warnings now carried on cigarette packs? Not at all: "I will regard them as messages I have written to myself." A kind of memo, perhaps. Anyway, be jauntily adds that if cancer rather than lack of finance were the health sector's biggest problem, he wouldn't have taken the job.

Director's dozens

■ There is no shortage of demand – or supply – for the directorship of the London School of Economics when John Ashworth finishes his six-year term next September. Front runner at the moment in a trio of LSE old boys is Sir John Bourn, 61, the cerebral but tough-minded boss of the National Audit Office, who is already a visiting professor.

Alan Budd, chief economic adviser at the Treasury, is another contender. The timing – 12 months before he will be forced out of the Treasury on reaching 60 – would certainly be ideal. Nick Stern, the thrusting chief economist at the European Bank for Reconstruction and Development, is the third – and personally keenest – runner.

Broad-minded institution that it is, the LSE is also running the rule over those educated elsewhere, including George Walden, the disaffected Tory MP and former education minister.

But the search need not be parochial. Remember Ralf Dahrendorf. How about Carlos Westendorp, for instance, Spain's globally minded deputy foreign minister who is reckoned to be keen on an academic career?

On bended knees

■ What do you call a pain incurred by seeing your friends do better than you?

A competitive strain injury.

The Financial Times

100 years ago

That terrible telephone

Letter to the Editor signed "Telephone 7,705:" Speaking as a subscriber of several years' standing, honesty compels me to admit that my experience has been less chequered than that of others. It is exceedingly rare that I have any difficulty in obtaining prompt communication. Since the metallic circuit has been completed, there is seldom any trouble in understanding what is being said. The instruments now placed at the disposal of subscribers are as superior to those in general use even five years ago as the incandescent is superior to the ordinary gas light.

50 years ago

Bank of England purchase terms

The "fair treatment" promise to Bank of England stockholders is met, in the Nationalisation Bill, by the decision to exchange enough Three Per Cent Government stock (redeemable in 1968 but carrying a perpetual clause) to provida annual interest equal to the average gross dividend (12 per cent) for the past 20 years. The Bank's capital stock, which rose further yesterday by 4½ to 393, is £14,553,000. On the basis of 12 per cent dividend, the nominal amount to be issued will be £58,212,000.

FINANCIAL TIMES
Wednesday October 11 1995

Chicago professor wins Nobel economics prize

Michael Prowse profiles the man who led a revolution

The Nobel prize for economics was yesterday awarded to Professor Robert Lucas of the University of Chicago, who did much to undermine confidence in the ability of governments to fine tune the economy.

Prof Lucas argued tbat tbe changing expectations of people, companies and other economic players made policy-making more difficult.

The Royal Swedish Academy of Sciences said these ideas "transformed macroeconomic analysis and deepened our understanding of economic policy".

Prof Lucas also wrote an influential critique of economic forecasting. He once said: "As an advice-giving profession we are in way over our beads."

In the "Lucas critique" he pointed out that most macroeconomic models incorporate statistical relationships that are dependent on the particular fiscal and monetary policies carried out during the estimation period.

Yet forecasters typically use tbe models to predict inflation and growth during periods when governments are pursuing different policies. Prof Lncas argued that this is illegitimate - if the policies change, tha old economic relationships become invalid, undermining the value of the projections.

The Nobel prize, worth $1m, was the eighth received by an economist at the University of Chicago, which has gained a global repntation for promoting conservative economic theories. The Swedish academy has bonoured Chicago more frequently than any other university.

Prof Lucas, 58, published his most influential papers during the 1970s. Ha probably did more than any economist of his generation to undermine confidence in governments' ability to increase employment or output growth with expansionary fiscal and monetary policies.

Building on the insights of Prof Milton Friedman, be showed that traditional Keynesian theories worked only if people could be assumed to have very crude expectations about the impact of economic policies.

If economic agents had "rational expectations" – meaning that they took account of all available information and could not be assumed to make systematic errors – then most government policies would be ineffectual.

He showed, according to the Nobel citation, that "regardless of how it is pursued, stabilisation policy cannot systematically affect long run employment".

More generally Prof Lncas spearheaded the "new classical" revolution in economics. Harping back to 19th century doctrines, he argued that macroeconomic theories had to be grounded in the rational, optimising behaviour of individuals.

Prof Lncas's "new classical" economic insights have strongly influenced public policy. Most central banks now limit themselves to inflation targets because they do not believe monetary policy can have more than a transitory impact on the unemployment rate. They believe this,

Robert Lucas: powerful critic of economic forecasting

in part, because of Prof Lucas'e work. "The practical implication of my work has been, along with that of others, to make us a lot more sceptical of our ability to use monetary policy to fine tune the economy," Prof Lucas said yesterday.

The award is likely to be welcomed by fellow economists who admire Prof Lucas's technical virtuosity. "New Keynesian" economists who dispute many of his conclusions, acknowledge the importance of analysing carefully the way economic agents react to government policies.

Editorial comment, Page 13

THE LEX COLUMN

High-tech nerves

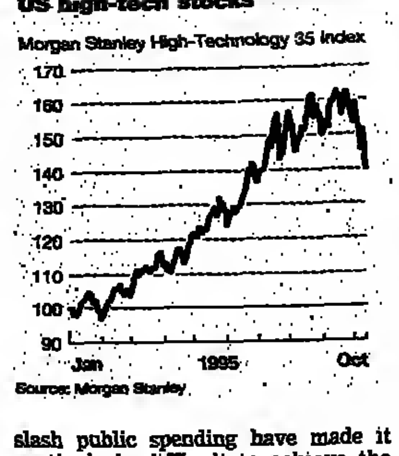
Yesterday's jitters in world equity markets are a case of two wrongs making a right. Viewed in isolation, the sell-off is an over-reaction to downbeat comments from Motorola. However, given that much of this year'a rise in share prices has been driven by hope for high-tech stocks like Motorola, yesterday's downturn in barely connected markets bas some crude logic.

The outlook for Motorola'a profitable mobile communications business is certainly less rosy than a few months ago. Growth in the US mobile market is slowing while price pressure is increasing. Moreover, because Motorola accumulated excessive inventory at the end of last year, comparisons with this year's final quarter will be relatively subdued. But this has little direct relevance even for other mobile communications groups like Sweden's Ericsson and Finland's Nokia, both of wbose stocks were hammered yesterday. Neither has mucb exposure to the US analogue mobila market, the main cause of Motorola's difficulties. The relevance for other stocks is even more tenuous.

However, so mnch hope has been invested in high-tech stocks that disappointing news has a knock-on effect on broader market sentiment. This is justifiable, since Motorola has not been the only cause of disappointment. Last week Novell, the software group, warned that fourth-quarter profits would be below expectations. And yesterday the semicondnctor industry's book-to-bill ratio fell. Though each piece of bad news may be specific to a narrow group of companies, stocks where hopes have run ahead of reality are vulnerable.

FT-SE Eurotrack 200:
1493.6 (-24.2)

US high-tech stocks



Source: Morgan Stanley

France

The stabilisation of the French franc yesterday following Monday's interest rate rise may mark the end of the latest mini-crisis. But it is not even the beginning of the end of the difficulties facing the increasingly unpopular administration of President Jacques Chirac. In fact, raising interest rates is more likely to exacerbate than to solve France's underlying economic problems. High real interest rates are belping to suppress economic growth. The consequence is that the task of meeting the economic convergence criteria set out under the Maastricht treaty, as a pre-condition for European monetary union, is looking increasingly onerous.

The government's promises not to slash public spending have made it particularly difficult to achieve the necessary budget deficit rednction by 1997. Yet the threat of further industrial unrest following yesterday'a one-day strike has tempered the market's normal enthusiasm for firm fiscal control with concerns about political instability. The only realistic route out of this apparent impasse – increased revennes boosted by stronger economic growth – requires a rednction of real interest rates.

This may be easier said than done. At around 100 basis points over German bond yields, French bonds look cheap on a historical basis, and there may be room for a short-term correction. But the German bond market's outperformance is likely to persist until the French government finds a way of squaring the circle.

Hanson

Hanson'a return to its deal-making roots has not had the desired effect. Its shares fell on the demerger of USI and fell further upon the acquisition of Eastern. They are back at September 1992 levels, and the FT-SE 100 index has risen almost 50 per cent in the intervening period. Hanson's historic dividend yield of 7.5 per cent, the FT-SE 100's second highest, reflects fears of a dividend cut. Yet an increase is far more likely.

Investors' concerns are understandable. Quantum will make up to £450m this year, but its contribntion will probably fall by more than £300m at the bottom of the polyethylene cycle – and prices may have peaked this year. Yet Hanson's cash flow already looks stretched, given a near-annual £200m outflow from utilising provisions and a £600m dividend pay-out. The cash cover for this year's dividend is likely to be a frugal 1.1 times and will probably fall next year. Moreover, Hanson's ragbag of mature businesses offers little prospect for earnings enhancing sell-offs.

Meanwhile the Eastern acquisition may have been unimaginative. But Hanson is rapidly building one of only four integrated UK electricity businesses. It will have a positive impact on cash flow from 1997, and old-style Hanson cost-cutting sbould pnt a more positive tinge on the deal. Rising capital expenditure on Hanson'a other businesses should also belp fill the Quantum gap. The retirement of Lord Hanson in early 1997 still creates uncertainty over management succession. But the sell-off appears to have gone too far.

UK rail franchising

The government's target of privatising half of Britisb Rail's passenger services by April 1996 has looked unrealistic for some time. The process has proved much more complex than it looked wben the target was set. But that has not stopped ministers from planning to privatise another railway, London's Docklands Ligbt Railway, next year. Unlike other privatised rail operators, the DLR franchisee will have responsibility for the track as well as running trains. This will give it an advantege over otber franchisees, which will have to juggle a mucb more complex set of regulatory and commercial relationships.

Passenger journeys on the DLR have doubled since 1992, as the technical problems which plagued its early days have been cleared up. But it is still losing a great deal of money. Revenues cover only 40 per cent of costs. Still, that need not matter too much since government subsidy will fill the shortfall. Moreover, if the Canary Wharf development, whicb DLR serves, really takes off, the upside potential could be considerable.

The main risk is competition from the Jnbilee Line extension for the London Underground, due to be completed in 1998. Even if this date is missed, the impact on DLR revenues could be dramatic. True, the new line will bring jobs to the area, and could thereby help the DLR. But bidders will be looking to tailor their franchise contract to protect them from the risk that they may end up running a redundant railway.

Elf 'may not proceed' with oil joint venture in China

By Andrew Jack in Paris

The future of a $2.5bn joint venture oil refinery in Shanghai was thrown into doubt yesterday after a senior Chinese official said that Elf Aquitaine, its potential French partner, had decided not to proceed.

In Paris, Elf refused to comment on the future of the project but said it intended to make an announcement in the next few days. However, the company stressed its commitment to the region.

Elf's statement was triggered by comments from Mr Ye Qing, the deputy head of China's planning commission, who is responsible for energy policy.

He told journalists at the World Energy Council in Japan yesterday that Elf had decided to pull out of the project after experiencing "financing difficulties".

Elf has been holding negotiations with Sinopec, the Chinese state-owned oil refining company, and the Shanghai municipal authorities since 1992 regarding the creation of a joint venture oil refinery, to be called Shanghai Pudong, with a capacity of 8m tonnes annually.

The French group said yesterday that it was at the concluding stage of a feasibility study for the refinery, and that talks between senior Chinese officials and Elf representatives would be held in the next few days.

The company rejected suggestions that it was experiencing financial difficulties with projects in China.

The feasibility study for the refinery, which is intended to supply a distribution network in eastern China and western Asia, was originally scheduled for completion in 1993.

It is believed the study, which is likely to be made public at the end of next week, will conclude that the Shanghai Pudong project should not go ahead.

The French group is likely to concentrate instead on otber types of investment across the region.

Elf is believed to have been frustrated – like a number of other foreign petroleum companies – by the limits placed by the Chinese authorities on the volume of oil products they can sell into the domestic market.

Mr Philippe Jaffré, Elf's chairman, is in Asia and is expected to hold meetings with the Chinese authorities in the next few days to discuss the group's activities in the country np to 2000, including the future of the Shanghai Pudong project.

At the start of this year, he said Elf planned to develop in Asia "a bit more rapidly than in the other regions of the world".

He projected sales in the region of FFr20bn ($4bn) by 2000, with investments in various sectors, including energy, pharmaceuticals, liquefied petroleum products and lubricants.

Technology shares hit by earnings fears

Continued from Page 1

adjusted, 40.1 per cent up on the same period last year, according to the World Semiconductor Trade Statistics organisation. New orders were up 44.2 per cent to $4.49bn.

Mr Sbulman said it was too early to say wbether the fall in technology stocks would spread to cause a general stock market correction. So far, he said, there was no evidence that the market had cracked. Broader indices, such as the S&P500, are still close to their year's highs.

In July, technology stocks were shaken by similar concerns, with the Nasdaq index falling 53 points in two days, but the market recovered to reach new highs.

Analysts said there had been genuine selling of technology shares in the last two or three weeks. One fear is that mutual funds, which have been large buyers of technology stocks this year, could turn tail and cause sharper price falls as they all try to sell at once.

Attention has focused on the technology-laden Fidelity Magellan fund. The fund was 43.3 per cent invested in technology at the end of July – three times the proportion the sector has in the S&P500 index.

Mr John Teal, of Lipper Analytical Services, whicb monitors mutual funds, said there was no evidence of widespread selling of technology stocks. "Nothing fundamental bas changed in the last three weeks. There has been a run-np in the sector and one would anticipate a pull-back."

Hopes rise for ceasefire in Bosnia

Continued from Page 1

rose in Bosnia, there were renewed fears of a flare-up in eastern Slavonia, a fertile and oil-rich territory which is now the only remaining area of Croatia in Serb hands.

Diplomats said a Serb-Croat meeting in Zagreb on Monday had yielded no progress, casting doubt over whether a peaceful resolution of the territory's status could be found.

The UN said fighting in Bosnia subsided yesterday in many parts of Bosnia, as after several days of intense fighting in many parts of Bosnia.

The Serb-held town of Mrkonjic Grad, in the north, came under heavy shelling and was last night reported to have surrendered to Croat forces.

General Milan Gvero, a Bosnian Serb commander, threatened to take revenge for the shelling by stepping np attacks on Croatian areas.

"If tbey do not immediately cease fire, we will be forced to fight back against their cities," he said.

The UN High Commissioner for Refugees said yesterday that Serb authorities in Banja Luka had expelled about 4,000 Moslems – mostly women and children – in the past few days.

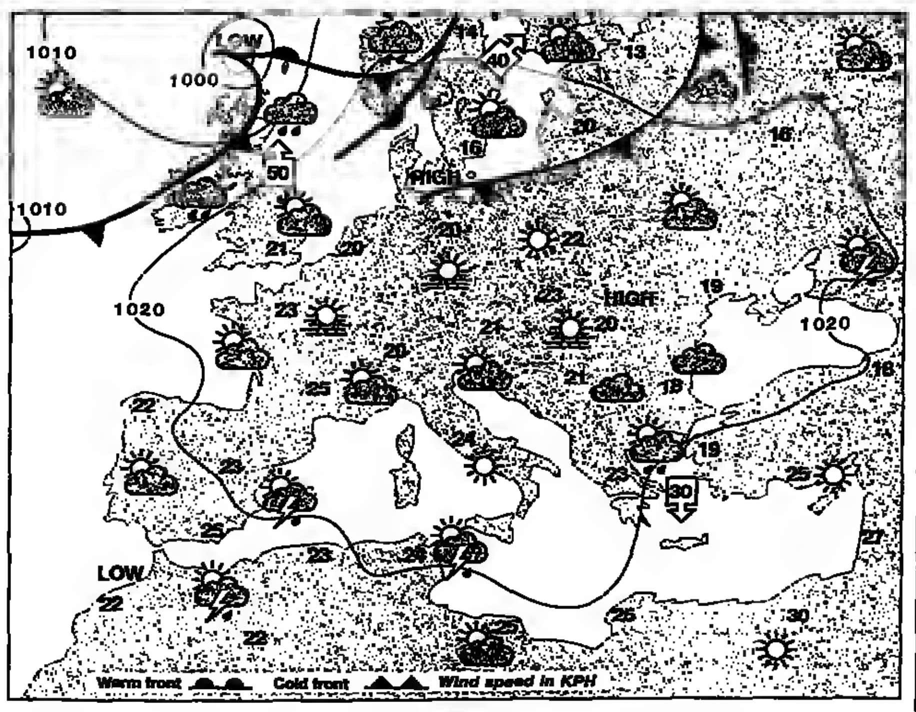
FT WEATHER GUIDE

Europe today

A ridge of high pressure across central Europe will result in sunny conditions and above average temperatures across most of the continent. However, most regions will start the day with fog, which will be persistent in some valleys in the Alps. Temperatures will range from 18C-25C, but it will be cooler in areas where fog persists. Ireland and Scotland will be cloudy with outbreaks of rain. England will remain dry and the south-east will be sunny. The Mediterranean will remain sunny with temperatures ranging between 20C-25C. Thunder showers are expected in eastern Spain and the Balearics.

Five-day forecast

Dry and sunny conditions will prevail over the continent under the influence of high pressure. However, fog will persist in some regions with temperatures below 15C. Elsewhere, temperatures will be above average. Western parts of the UK will remain unsettled. During the weekend, Portugal, Spain and the western Mediterranean will become unsettled and cooler.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	35
Accra	cloudy	31
Algiers	fair	23
Amsterdam	hazy	19
Athens	fair	22
Atlanta	fair	24
B. Aires	fair	22
B.ham	fair	20
Bangkok	cloudy	30
Barcelona	fair	22
Beijing	fair	21
Belfast	rain	18
Belgrade	fair	20
Berlin	sun	21
Bermuda	shower	28
Bogota	cloudy	18
Bombay	cloudy	35
Brussels	hazy	21
Budapest	sun	21
C.hagen	fair	14
Cairo	sun	28
Cape Town	fair	24
Caracas	cloudy	31
Cardiff	cloudy	16
Casablanca	shower	21
Chicago	sun	21
Cologne	hazy	22
Dakar	shower	31
Dallas	sun	27
Delhi	fair	32
Dubai	sun	35
Dublin	shower	17
Dubrovnik	fair	23
Edinburgh	rain	18
Faro	fair	24
Frankfurt	hazy	22
Geneva	fair	20
Gibraltar	shower	22
Glasgow	rain	18
Hamburg	fair	19
Helsinki	fair	14
Hong Kong	fair	28
Honolulu	fair	32
Istanbul	shower	19
Jakarta	shower	32
Jersey	fair	18
Karachi	sun	37
Kuwait	sun	37
L. Angeles	sun	24
Las Palmas	fair	26
Lima	cloudy	20
Lisbon	fair	25
London	fair	21
Lux.bourg	hazy	20
Lyon	fair	22
Madeira	fair	23
Madrid	fair	23
Majorca	thund	23
Malta	thund	24
Manchester	cloudy	18
Manila	shower	30
Melbourne	cloudy	20
Mexico City	fair	21
Miami	thund	31
Milan	fair	22
Montreal	fair	15
Moscow	fair	16
Munich	hazy	20
Nairobi	fair	26
Naples	sun	23
Nassau	shower	31
New York	fair	20
Nice	fair	23
Nicosia	sun	28
Oslo	fair	12
Paris	sun	23
Perth	cloudy	16
Prague	sun	22
Rangoon	fair	30
Reykjavik	cloudy	3
Rio	cloudy	23
Rome	sun	23
S. Frsco	fair	21
Seoul	sun	23
Singapore	shower	32
Stockholm	fair	15
Strasbourg	fog	15
Sydney	fair	25
Tangier	shower	24
Tel Aviv	fair	28
Tokyo	shower	23
Toronto	fair	18
Vancouver	rain	14
Venice	fair	22
Vienna	sun	22
Warsaw	sun	22
Washington	fair	20
Wellington	fair	14
Winnipeg	fair	17
Zurich	hazy	19

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 11 1995

IN BRIEF

Germany to seek Postbank adviser

German ministers agreed to appoint an international investment bank to advise on the sale of Postbank. Ministry officials confirmed the move was to allay concern that Postbank would be sold too cheaply to a consortium led by Deutsche Post and Deutsche Bank. Page 16

Joint index for Australia and New Zealand
Stock exchanges in Australia and New Zealand are to join forces to produce a Trans-Tasman Index covering the top 100 shares in the two countries from January. It will be calculated on a real-time basis and could form the foundation for derivatives trading. Page 17

Greek carrier climbs back to profit
The financial condition of Olympic Airways is more promising than it has been for years and the Greek national carrier is expected this year to record its first net profit since 1978. However, Olympic's poor service stands in the way of hopes for an alliance with a European airline. Page 18

Market rediscovers taste for Swiss Re
Swiss Reinsurance shares, long out of favour with investors in the Swiss stock market, have sprung to life in the past year and even though the shares have more than doubled from their 1994 low, investor enthusiasm remains high. Page 18

French auto parts makers go into reverse
French automotive parts manufacturers' stocks are enduring a bumpy ride. Since last Monday, the shares of Sommer Allibert, Bertrand Faure and Valéo, a former market star, have fallen by 16, 10 and 4 per cent respectively. Page 18

Weyerhaeuser sets pace for paper sector
Weyerhaeuser, the US integrated forest products group, got the paper sector's third-quarter reporting season under way with a 93 per cent jump in net income to s record $279m, before s $185m accounting adjustment. Page 19

Corestates in $3bn Meridian Bancorp bid
Corestates Financial, the US bank which was one of the disappointed suitors for Bank of Boston earlier this summer, unveiled a $3bn acquisition of Meridian Bancorp, which has $15bn in assets. The combined bank will have assets of $45bn, putting it among the country's 20 largest. Page 19

Banks' merger may give £400m savings
The announcement today of the terms of the planned merger between Lloyds Bank and TSB Group is expected to say that the combined UK group plans savings of £400m ($620m) annually within a few years. Page 20

QSP to raise £14.7m for US purchase
Quality Software Products, the UK accounting software group, is raising £14.7m ($23m) by a 7-for-20 rights issue of 3.05m shares at 535p to fund the acquisition of Global Software, its US distributor, and expansion into Europe, the Middle East and the Asia Pacific region. Page 20

Indian sugar mills reach record output
Proving all earlier projections wrong by s wide margin, the Indian sugar mill industry ended the 1994-95 season last month with record production of 14.6m tonnes. That compared with the disastrously low 9.82m tonnes produced last year. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Hochtief	673	+	13
Falls			
Asko	810	-	50
Kaufhof	474.5	-	25.5
Mannesmann	459.5	-	8.5
SAP AG	218	-	10.9
Thyssen	261.6	-	8
NEW YORK ($)			
Rises			
Central Park	21½	+	3¼
Seitel	26⅞	+	1⅛
Surgical Care	26⅞	+	3⅝
Falls			
Amway Asia	32¾	-	6¼
EMC Corp	13¾	-	3
Motorola	63½	-	5½
LONDON (Pence)			
Rises			
Cohen (A)	690	+	100
Quality Softw	705	+	70
Falls			
Airflow Stream	230	-	40
Bakyrchik	162	-	37
Brit Biotech	220	-	48
Enviromed	15	-	4
TORONTO (C$)			
Rises			
DMR A	11⅞	+	2⅛
Samsal Mn	11¼	+	¼
Taiga Forest	7⅞	+	1⅛
Falls			
Delrina	19¼	-	2¼
Softkey Softw	51¾	-	6⅝
Spectrum Sig	10	-	2⅝
PARIS (FFr)			
Rises			
Essilor Int	891	+	23
Synthelabo	326.8	+	19.8
Falls			
Club Med	407	-	24.4
Cred Lyon	268	-	10.3
Imm France	231	-	12.5
Saint Gobain	568	-	18
HONG KONG (HK$)			
Rises			
Champion Tech	0.82	+	0.07
Chevalier (OA)	0.49	+	0.05
Four Seas	2.3	+	0.15
Zhenhai Refn	1.82	+	0.08
Falls			
Great Eagle	20.9	-	0.85
Termbray	11	-	0.5
BANGKOK (Baht)			
Rises			
Monterey Asia	24	+	2
Phuket Island	31.75	+	2.75
Sri Charoen	186	+	11
Falls			
Bangkok Steel	30	-	9.25
Goodyear	209	-	20
Siam Iw	50	-	23

Tokyo closed. New York and Toronto prices at 12:30.

Motorola hit by fears on market growth

Shares fall $5 to $64 as electronics group says growth in mature markets has moderated and prices in US declined

By Louise Kehoe in San Francisco

Motorola shares fell sharply yesterday after the group said growth in the US and Europe for cellular telephones had moderated and US prices had declined.

The announcement came as Motorola reported otherwise strong third-quarter results late on Monday. But by lunchtime yesterday, Motorola had fallen $5 to $64, and also triggered a decline in US high technology stocks.

This came in spite of the fact that slowing growth in the US cellular telephone subscriber base had already been reported by the Cellular Telephone Industry Association, a US trade group. Moreover, Motorola said in other regions the use of cellular telephones was expanding.

The US electronics group is in the forefront of providing equipment for digital wireless communications services, including Personal Communications Services networks in the US, which are expected to be built over the next few years.

Motorola's sales in the third quarter rose 21 per cent, from $5.7bn to $6.9bn. Net earnings were $496m, compared with $390m.

The company met Wall Street analysts' earnings projections of 81 cents a share, versus 65 cents a share in the same period last year. However, analysts said Motorola's results, while solid, had not provided the "upside surprise" which they have come to expect from the company.

Motorola reported record results in several sectors. In semiconductors, third-quarter sales rose 28 per cent to $2.3bn. All main market regions posted double-digit order growth, the company said, with demand for chips used in personal computers and computer workstations particularly high. In the general systems division, which includes computers, sales rose 21 per cent to $2.6bn. The nsw messaging, information and media division reported a 22 per cent jump in sales to $944m. The division received s large order from SkyTel, the leading US paging company for equipment for a new two-way paging service.

Motorola's government and space technology group reported a 38 per cent increase in sales. Orders, however, were down 62 per cent because of delays in orders of equipment for the Iridium satellite communications system, which is still seeking outside financing.

Overall, Motorola "is seeing the strongest economic growth in the Asia-Pacific region, in emerging markets and then Europe, where demand for wireless communications and semiconductors remains strong", said Mr Gary Tooker, vice-chairman and chief executive. "In the US, we expect to continue to experience the effects of slower economic expansion in selected businesses, over the near term."

Slower growth in US cellular telephone sales, and declining prices, would affect the comparison of the fourth quarter with that of last year, when cellular sales were rising, said Mr Tooker.

He said the launch of new wireless communications services ranging from two-way paging to digital cellular and personal communications services would put pressure on profit margins. For the year to date, Motorola had sales of $19.7bn, up 25 per cent from $15.8bn a year ago. Net earnings for the first nine months were $1.35bn, or $2.21 a share, compared with $1.05bn, or $1.79.

Lex, Page 14; World stock markets, Back Page

Media chief would not rule out a fairly static year if 'the economy keeps going slow in America'

Murdoch warns on profits at News Corp in first term

By Nikki Tait in Adelaide

Mr Rupert Murdoch, head of News Corporation, yesterday warned shareholders that his international media and entertainment company's first-quarter profits would be flat and could even decline over the same period of the previous year.

Looking ahead to full-year results, Mr Murdoch was only slightly more optimistic. While it was too early to make firm predictions, he expected some increase. However, he did not rule out a fairly static year, "if the economy keeps going slow in America". The company, be added, had no plans to raise dividend payouts.

In year to end-June, News Corp made profits after tax, but before abnormal items, of A$1.34bn (US$1.02bn), up from A$1.21bn. In the first quarter of 1994-95, profits rose 15 per cent to A$301m.

One reason for the caution was the escalating price of newsprint. "I don't want to alarm you," he told shareholders in Adelaide at the annual meeting, "but this year we've seen an incredible increase in paper costs – a 40-50 per cent increase." The rise would cost News Corp sbout US$350m this financial year, he calculated.

"Paper costs are a worry, and in my view there are going to be for some time." He said the rise stemmed more from structural changes affecting Third World supply sources, than from "normal" cyclical trends.

In spite of the price increase, Mr Murdoch said profit levels st News Corp's print products should be maintained through economies and cost-savings. He was bullish about the UK newspaper interests, and said there were no plans for a further price rise at The Times "for some time". The newspaper continued to lift circulation in Murdoch's most dramatic example of newspaper price cutting in the UK. The Australian papers were "all doing very well, although circulation is difficult in some places".

By this time next year, News Corp expects all its newspapers to be available "online to anyone with a computer through the Internet", although Mr Murdoch conceded that no one had yet devised a means of profiting from this form of distribution.

Mr Murdoch said the Fox television network in the US needed to improve its news operations "one thousand-fold", but said recruitment and new formats were sddressing the problem. He revealed thet Fox planned to announce the purchase of one TV station – outside of the "Big 10" cities – in the next few days, and hoped to add up to a dozen if the telecommunications bill was passed.

On the film side, Twentieth Century Fox would focus on "choosing products carefully and wstching costs" in an overcrowded Hollywood market.

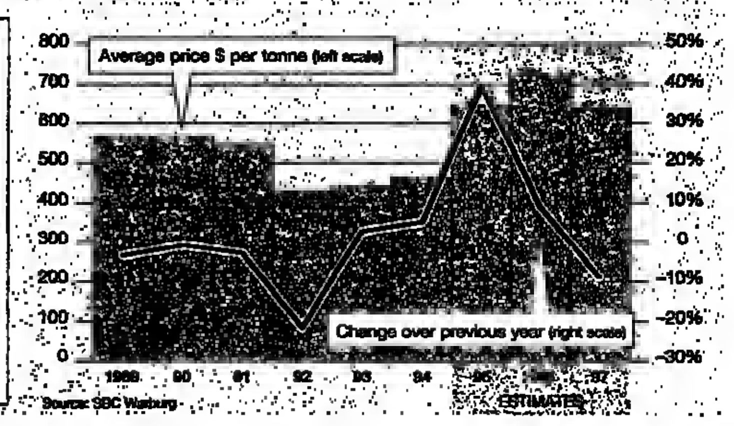
Shareholders approved the tie-up between News Corp and MCI, the US long-distance telecommunications group, which will see MCI invest up to US$2bn in News Corp and the two companies co-operate on the development of online, interactive services. Mr Murdoch downplayed suggestions of s comparable deal with BT in the UK, saying he was not involved in any discussions.

He made clear he had no intention of letting his family's stake in News Corp – about 30 per cent – dilute any further.

Strategy change at Star TV, Page 17

Put through the mill: US newsprint prices

Rupert Murdoch
News Corporation Chairman



Source: SBC Warburg

Daimler-Benz to sell off loss-making division to GE

By Wolfgang Münchau in Frankfurt and Andrew Baxter in London

Daimler-Benz is to sell its loss-making AEG Low-Voltage business to General Electric of the US in a deal that forms part of the German industrial group's strategy of shedding non-core businesses.

Neither side disclosed the value of the deal, but Frankfurt-based analysts estimated that the price would be little more than DM100m ($63m) as the division, part of Daimler-Benz's struggling AEG subsidiary, had incurred losses for some time.

The deal is the biggest ever investment in Germany for GE, led by Mr Jack Welch, its hard-driving chairman. The low-voltage business produces switchgear for industrial users and domestic fuse boxes in three plants in northern Germany. It has 1,800 employees and annual turnover of DM320m.

News of the deal was not supposed to be released until Friday, but the announcement was brought forward after GE prematurely released an invitation to a news conference.

The two companies have been in negotiations over the sale for about two years. For AEG it marks the latest in a series of disposals, including the sale of the lighting business to Philips of the Netherlands, the electrical meters business to Schlumberger of the US, and the white goods division to Electrolux of Sweden.

The strategic aim, as outlined recently by Mr Jürgen Schrempp, chairman of Daimler-Benz, is to reduce the web of AEG businesses to three core units: a railway rolling stock business, which is to be put into a joint venture with Asea Brown Boveri, the electrical engineering group; diesel engines; and microelectronics.

AEG said recently that it expected to announce a loss of about DM600m this year, compared with last year's DM500m deficit.

Yesterday, it said the low-voltage business had been subject to "a strong concentration process and price pressures, and we do not consider it to be a core area".

The AEG low-voltage business has been co-operating for several years on joint product and technology initiatives with GE Power Controls, of which it will now become part. This is the European arm of GE's electrical distribution and control (ED&C) business.

Mr LLoyd Trotter, president of GE ED&C, said the deal would strengthen the US company's competitive position by broadening the product range. AEG Low-Voltage would benefit from the opportunity to channel its products through GE's global distribution network.

Mr Jürgen Pieper, analyst at Deutsche Bank Research, said: "The good news is that Daimler is getting more energetic about disposals. [The acquisition of] AEG was the biggest mistake the company has made, but we believe that Daimler is now serious about making the necessary strategic adjustments."

Jack Welch: hard-driving

Barry Riley

Wall Street and the shakeout in technology

Kleinwort Benson has finally flipped: the London investment bank's global strategist, Albert Edwards, has this week told UK clients that it is time to take off their big bet against US equities. Yesterday, too, a Dean Witter Reynolds roadshow was in town to promote the US story under the heading *The Resurgence of Corporate America*. And the cover of the latest issue of *Business Week* declares: "Technology is transforming the American economy into the most productive and competitive in the world".

It is, perhaps, the right message at the wrong moment. The front covers of the US weeklies have a justified reputation for causing contrarians to lick their lips. True, on this occasion there is an absence of the image of a rampaging bull which renders the contrarian signal absolutely definitive. But perhaps the upward-pointing arrow (composed of 50 stars) is good enough.

At any rate, after churning just below their peaks for the past month the US indices have taken a dive. Downbeat statements from technology leaders such as Novell and Motorola in the past couple of days hava helped to puncture the high-tech bubble. Thus the Nasdaq index was showing a gain of 42 per cent for the year at its peak, but it has since lost about 10 per cent.

This offers a little comfort for UK-based managers. According to the performance measurement consultants Caps, the average UK pension fund had an end-June portfolio exposure of only 3.3 per cent to US equities, against 9.2 per cent if it had weighted its overseas equity portfolio in line with the World ex UK Index. Underweighting the US will hava cost such funds about 130 basis points of return in the first nine months of 1995.

Smith New Court's Gallup Poll of UK fund managers for October shows them to be as negative as ever about Wall Street, with a balance of 25 per cent of sellers over buyers. A straw poll at yesterday's Dean Witter seminar showed that 53 per cent of the institutional investors present were underweight the 42 per cent US exposure in the World ex UK Index, but that 40 per cent were buyers against 11 per cent who were sellers.

> Front covers of the US weeklies have a reputation for causing contrarians to lick their lips

There is no doubt that the bullish message is powerful. From the painful depths of the 1991 recession US industry has restructured itself to the extent that pre-tax sales margins are reaching record levels of nearly 10 per cent and the return on equity is hitting 17 per cent.

How come, though, that what is allegedly the world's most competitive economy is running s record trade deficit, and its merchandise exports only cover 74 per cent of its imports? One question is whether the benefits US industry has gained from downsizing can be carried over into a period of capacity growth. Another is whether the foreign manufacturers now rushing to produce in the US, such as BMW and Mercedes-Benz, will have a powerful impact on the trade balance.

As for technology, sales growth has been running at an amazing 40 per cent in many sectors in recent months, and the book-to-bill rstio in semiconductors remains at s satisfactory 1.1 times. But economic growth in the US as a whole is only running at about 2.5 per cent, because corporate prosperity is being achieved at the expense of the real income growth of employees.

Bullish suggestions that there can never be another recession in technology can be dismissed. With the pipeline of supply being accelerated the consequences of a hiccup in demand could be even more severe than in the past, when average capacity growth rates were rather slower. The pile-up of excess supply would be that much greater.

Tactically, however, London managers may see this shakeout as an opportunity to edge up their US weightings. They must also carefully assess the wider argument that buying shares in the multinational US manufacturers, especially in technology sectors, may be a very effective means of exploiting growth in emerging markets: Motorola, for instance, has big plans for expansion in China.

Meanwhile, as Kleinwort says, the Dow Jones Average will not necessarily suffer the dire fate that UK managers are so eagerly hoping for.

International bank to advise on Postbank sell-off

By Judy Dempsey in Berlin

The German ministry of finance and ministry of post and telecommunications yesterday agreed to seek an international investment bank to advise it on the sale of Postbank. The move would allay fears Postbank would be sold too cheaply to a consortium led by Deutsche Post and Deutsche Bank, ministry officials said yesterday.

The front runners should include Salomon Brothers, the US investment bank which last year advised Postbank. At the time, Salomon Brothers had estimated the bank would have a market capitalisation of about DM6bn ($4.2bn). Neither ministry would say which investment bank would be appointed.

"We want to appoint an independent adviser, preferably an international investment bank, to look at the books [of Postbank] and assess its worth. We need transparency now," the ministry of post and telecommunications said yesterday.

The decision coincides with mounting criticism from Postbank that last month's hostile bid from Deutsche Post, the state-owned post office network, Deutscha Bank and Swiss Reinsurance undervalued Postbank.

The consortium had offered to pay DM3.0bn for a 75 per cent stake in Postbank. Postbank, lika Deutsche Post, is 100 per cent owned by the state. It is dne to be privatised in 1998.

The ministries' decision may also be an attempt to fend off criticism when the parliamentary post committee meets on October 25 to discuss the consortium'a offer and a rival scheme.

That offer, supported by Postbank, involves companies from industries as diverse as life assurance, insurance and housing finance. Postbank yesterday said the latter scheme would pave the way for developing its services and prepare it for a stock exchange listing.

"It is clear the ministry of finance and ministry of post and telecommunications want to calm the situation," said Mr Joachim Strunk, spokesman for Postbank.

"They want to atand back. By appointing an investment bank, they will get an independent assessment which is a good thing. We welcome this decision," he added.

The decision may also reassure the Association of Post Users which represents the clients of Deutsche Post, Deutsche Telekom and Postbank.

Yesterday, it released a letter which earlier in the week had been sent to, among others, the Chancellery and the economics ministry. Mr Wilhelm Hübner, its chairman, opposed Deutsche Post's plans to take over Postbank, saying it would precipitate the closure of thousands of post offices throughout the country. Postbank pays Deutsche Post DM1.4bn a year for its services.

Czech banks play down speculation on merger talks

By Vincent Boland in Prague

Two of the Czech Republic's main commercial banks moved yesterday to play down speculation that they were discussing a merger that would create the country's largest financial institution.

Ceska Sporitelna, the ssvings bank, and Ceskoslovenska Obchodni Banka, the foreign trade bank, described as speculative and premature a newspaper report that they had begun talks that might lead to a merger.

CSOB said: "No concrete plan exists [for such a move]."

The Czech National Bank, which is seeking a substantial consolidation of the overcrowded banking sector, said it was drawing up privatisation proposals for both banks.

Mr Martin Svehla, the central bank's spokesman, said these were very preliminary but that a possible merger of the two "bas some logical basis".

Tbe report of a possible merger surprised some bankers but was given a warm welcome by banking analysts.

They said a marriage of the two institutions would be complementary and would lead to the creation of a bank big enough to compete with Komercni Banka, the dominant Czech commercial bank, and witb tbe foreign banks that bave flocked to Prague in the past four years.

Ceska Sporitelna has an estimated 80 per cent of the domestic savings market and is the largest of the country's banks in asset terms, with total assets at the end of 1994 of Kc358bn ($13.6bn) and 2,000 branches.

It has been partly privatised throngh the vouchers-for-shares scbeme and has a market capitalisation of about $500m. The Czech National Property Fund, the state holding company, retains s 45 per cent stake.

Ceska Sporitelna is regarded as the weakest of the big four Czecb banks because of its inability to diversify outside its traditional and somewhat old-fashioned savings business. Analysts said yesterday that a merger witb CSOB would address this weakness.

If a merger were to proceed it would prove a complicated transaction. CSOB is owned entirely hy Czech and Slovak state bodies including the central banks of both countries. It is the only large institution to retain strong links with the Czech Republic and Slovakia since they split at the end of 1992.

CSOB has a limited branch network but has a strong presence in trade finance and foreign exchange operations, with total assets of Kc160bn at the end of 1994.

Under communist rule it was the foreign exchange arm of the state bank and was separated when that institution was broken up in 1991.

Gemina to continue with Ferfin plan

By Andrew Hill in Milan

Gemina, the Italian investment company, seems prepared to press ahead with its controversial plan to merge with Ferruzzi Finanziaria (Ferfin), the holding company, in spite of a judicial inquiry, losses at its main subsidiary, and intense criticism from investors and market authorities.

Consob, the financial markets watchdog, yesterday allowed trading in Gemina'a shares to restart after a one-day suspension, but attacked the investment company's failure to explain adequately the situation at its troubled RCS publishing subsidiary.

Gemina's shares were temporarily suspended several times yesterday under rules which limit excessive falls in the price, ending the day at L665, down more than 10 per cent on Friday's close.

On Saturday, Milan magistrates, who are looking into allegations of falsification of

Attilio Venturs: warned of damage to Milan SE's image

accounts at Gemina and RCS, notified 10 senior executives and former executives of the companies that tbey were under investigation. But the growing controversy does not seem to have altered Gemina's determination to merge with Ferfin, whicb controls the Montedison industrial group.

In a brief statement, issued late Monday under pressure from Consob, Gemina said the boards of the companies involved in the complex merger proposal were atill planning to meet between Sunday and Friday of next week to decide the terms of the deal.

The investment company also said that on October 17, the board of RCS, 93 per cent of which is owned by Gemina, would examine the accounts up to August 31.

It would also propose a capital increase, which would be entirely underwrittan by Gemina. The publishing and medis group lost L446bn ($277m) in 1994, and a further L276bn in the six months to June 30, pushing Gemina itself deeply into the red.

The judicial inquiry is understood to centre on losses at RCS Libri e Grandi Opere, the publishing arm which ran np bad debts on the sale by instalment of lavish volumes.

Consob yesterday said it had ended the suspension of Gemina shares because of general demand that the shares should be traded, "even with incomplete information". But it pointed ont that Gemina "was not able to snpply, in [Monday's] press release, quantitative data on the capital and economic situation at RCS and the likely impact on its situation" and "does not seem able to make further information public sufficiently quickly".

Mr Attilio Ventura, president of the Italian stock exchange, also reprimanded Gemina yesterday and warned thst the Gemina affair risked seriously damaging the image of the Milan market. Gemina is controlled by a group of Italy's oldest and best-established companies, including Fiat, Mediobanca, Generali and Pirelli.

Dawn raid on Norwegian tanker group

By Christopher Brown-Humes in Stockholm

The Norwegian tanker shipping sector sprang to life yesterday when Bona Shipholding launched a hostile bid for Smedvig Tankships after picking up more than 60 per cent of its target in a dawn raid. The offer values Smedvig at $152m.

Mr John Smadal, the president of Bona Shipbolding, said the companies would have a combined fleet of 34 owned and managed ships totalling 3.2m deadweight tonnes. The group would be one of the world's largest independent operators of so-called Aframax tonnage (tankers of around 80,000 deadweight tonnes), he added.

Synergies between tbe two fleets would enable Bona to cut costs and increase efficiency. "We also foresee an improvement in the tanker market," Mr Smadal stated. The offer is pitched at $8 a share, 20 per cent above Smedvig's $6.40 closing price on Monday.

Informal talks on an agreed merger were terminated by Smedvig last week without explanation, said Bona.

"We felt this was too good an opportunity to miss," said Mr Smadal, explaining the decision to go hostile. It is understood Bona picked up 65 per cent of Smedvig through SBC Warburg in a matter of hours, before taking its holding above 70 per cent in later trading.

Analysts said Smedvig's disappointing performance since it was floated in June 1993 explained the rush to sell. Its share price has generally languished below its $10 per share introdnction price, falling below $6 at one point, largely because of losses and a weak tanker market. It made a $5.2m loss in the first half of 1995, against $12.5m a year earlier.

Smedvig has a fleet of 11 vessels, including one snpertanker. Leif Hoegh, the Norwegian shipping group, owns 42 per cent of Bona. Both Bona and Smedvig are registered in Bermuda.

EUROPEAN NEWS DIGEST

MAN up strongly after restructuring

MAN, the German conglomerate, said net profit in the year to June rose from DM160m to DM272m ($191m), an increase it attributed to restructuring and cost-cutting. The board is proposing a dividend of DM9.50 (DM7). Favourable orders and capacity use had continued in the current year, with new orders up 13 per cent at DM5.25bn in the first quarter. Earnings per share, calculated according to the German analysts' association DVFA formula, rose from DM9.10 to DM22.70 marks for the period. *AFX News, Munich*

Tryg-Baltica to offer 25% stake

Tryg-Baltica Insurance, the company formed earlier this year when the former mutual insurance company Tryg acquired most of the non-life assets in Baltica, plans a big public offering next spring. The stake of between 25 per cent and 30 per cent would raise up to DKr2bn ($360m) at yesterday'a closing price.

Baltica was the country's leading insurance group until it was brought to its knees by speculative ventures in banking and property in 1993, when it came under control of Den Danske Bank. Tryg-Baltica posted a net profit of DKr573m in the first six months. *Hilary Barnes, Copenhagen*

Ameritech warns Poles on licence

Ameritech has warned that foreign investor confidence in Poland would plummet if the government failed to keep promises it made four years ago to grant the US telephone operator and its two partners, France Télécom and Telekomunikacja Polska (TPSA), a GSM mobile telephone licence. At that time Ameritech and France Télécom paid $75m in the form of a donation to develop the country's telecommunications system. The group implied yesterday it was ready to go to court to have the pledge bonoured. *Christopher Bobinski in Warsaw*

Metra rises 75% at eight months

Metra, the diversified Finnish industrial group, yesterday reported a 75 per cent jump in profits after financial items from FM224m to FM392m ($91m) during the first eight months. It relied on lower financial costs and stronger results from its Sanitec bathroom equipment division and Imatra Steel to offset weaker figures from Wärtsilä Diesel, one of the world's leading diesel engine makers and the group's biggest division.

Group sales fell 18.5 per cent from FM7.1bn to FM5.78bn but allowing for divestments, the drop was limited to 4 per cent. Operating profits rose from FM393m to FM500m. It expects full-year sales of FM11bn, after FM10.1bn last year, and a rise in profits after financial items from FM649m in 1994. *Christopher Brown-Humes, Stockholm*

Dassault flat in first half

Dassault, the French aircraft and electronics group, yesterday reported flat first-half pre-tax profits of FFr277m ($55.2m), little changed from FFr279m a year earlier, on sales of FFr5.19bn, down from FFr12.6bn. The group, which includes flight simulator and software divisions as well as Dassault Aviation, forecast sales would pick up slightly in tbe second half to reach FFr11.7bn.

Mr Serge Dassault, the president whose family holds about 49 per cent of the group, said some foreign air forces were still interested in joining Taiwan in buying the Mirage 2000, and some had also tested the new Rafale jet. But the French government had only ordered eigbt Rafales, and was stretching out purchases to save money. *David Buchan, Paris*

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ASIA-PACIFIC NEWS DIGEST

Barings pays R41m for Bombay SE seat

Barings Securities' Indian subsidiary has paid a record R41m ($1.2m) for a seat on the Bombay Stock Exchange, becoming the latest of a handful of foreign financial institutions (FFIs) to become fully fledged brokers on India's biggest stock exchange.

Barings bought the seat in an auction in which Crosby Securities of Singapore and possibly two other FFIs participated. The seat came open following the default of Mr Anil Mithalal, one of Bombay's smaller independent brokers.

Jardine Fleming became the first FFI to win a seat on the BSE earlier this year, followed by Morgan Stanley, whose broking operations on the Bombay bourse are just becoming operational. Mr John Moore, Baring's country head for India, said he expected to begin broking services by next January.

The move, which bankers in Bombay expect other foreign institutions to follow, will enable Barings to participate directly in the Bombay market, where broking commissions average between 1 per cent and 1.5 per cent.

Mr Moore said Barings was also preparing an application to the National Stock Exchange, India's first fully automated bourse, which is also based in Bombay and was set up in competition to the BSE in 1994. Bankers said the price paid by Barings set a considerably higher level for seats on the exchange, but that it should recoup the costs quickly given good trading volumes. *Mark Nicholson, Bombay*

Indian group merges two units

Two groups within India's Escorts group – vehicle maker Escorts Ltd and Escorts Tractors – are to be merged, a move which the parent company said would significantly improve sales and earnings per share in the current financial year. Shareholders of Escorts Tractors will be given three Escorts Ltd shares for every two shares they hold of the tractor company.

The merger became possible when Escorts Ltd acquired the entire equity shareholding of its joint venture partner, Ford New Holland, in Escorts Tractors. Escorts Tractors was set up 26 years ago with financial and technical collaboration from Ford Motor of the US. Ford New Holland, a subsidiary of Italy's Fiat group, inherited the joint venture agreement when it bought Ford Motor's worldwide tractor operations five years ago. *Shiraz Sidhva, New Delhi*

Indonesian IPO oversubscribed

Shares in Tambang Timah, the integrated Indonesian tin mining company, were just under three times oversubscribed for both the domestic and international portion of the company's initial public offering.

The company said a total of 176.2m shares would be sold at Rp2,900 each, which represents the upper end of their price range of Rp2,450 to Rp2,900.

About 25 per cent of the company's shares will be listed on the London Stock Exchange in the form of Global Depositary Receipts and 10 per cent on the Jakarta and Surabaya exchanges on October 19.

The GDRs, each of which represents 10 common shares, will sell at $12.73 each. The IPO is expected to raise a total of Rp150bn ($64m) for the company and a further Rp365bn for the government. Tambang Timah will use the proceeds mainly to upgrade its offshore dredging fleet and to develop exploration of new production sites. The company's privatisation follows the flotation of Indosat, the satellite telecommunications company, in New York and Indonesia late last year, and comes ahead of an IPO from Telkom, the domestic carrier, in the next month. *-Manuela Saragosa, Jakarta*

NEC to invest Y50bn on plant

NEC, the Japanese electronics group, is to invest Y50bn ($498m) in a new research and development centre at Sagamihara to design and build the next generation of computer memory chips.

The plant will initially produce 256Mb Dram (dynamic random access memory) and develop 1Gb memory chips, although NEC said the long-term plan was to expand the facility to include 16Gb and 64Gb devices. *Paul Taylor, London*

Australian, NZ stock exchanges join forces

By Peter Montagnon, Asia Editor, in Sydney

Stock exchanges in Australia and New Zealand are to join forces to produce a Trans-Tasman Index covering the top 100 stocks in the two countries from January next year.

Mr Richard Humphrey (*pictured, right*), Australian Stock Exchange (ASX) managing director, said the move "will signal that the two markets are beginning to move closer together".

The index will be calculated on a real-time basis and could form the basis for derivative trading.

However, the main aim initially is to demonstrate that it is technically possible to set up an electronic communications channel between the two exchanges.

The ASX also plans to list options on New Zealand shares which are not available in Australia, he said.

Australia has been trying to attract more regional business as part of its efforts to develop the country as a financial centre, for example by listing Chinese companies.

However, Mr Humphrey said there was a limit to what could be done without closer relations between stock exchanges in the region.

The new index would give the ASX a further incentive to introduce longer trading hours, he said. The market is currently open from 10am to 4pm, Sydney time. When the index is running this will mean a late start for New Zealand which is two hours ahead.

However, brokers in Perth, which is a further two hours behind Sydney, may resist pressure to get up even earlier.

The ASX also hopes to introduce an open-interface facility within the next 18 months. This would allow traders in one country, for example China, to use the ASX system to trada tha securities of another country, such as Malaysia, and would be available out of hours.

News Corp raises stakes in Star Television gamble

Group hopes change in strategy will pay off at its loss-making Asian TV network, writes **Simon Holberton**

Mr Rupert Murdoch is proving that he has a deep pocket as far as his investment in Asia's Star Television is concerned.

On top of the US$825m Mr Murdoch's News Corporation paid for the network, Star produced losses of $45m in the year to end-June 1995 and is expected to lose as much as $80m this year.

Taking into account debt and losses for tha period from October 1993 to June 1994, News Corp's expenditure on the network exceeds $1bn. A risk taker by nature, Mr Murdoch describes these losses as an "investment". "There is just a huge opportunity there, and you call it a loss; I call it an investment," he was reported as saying after the News Corp annual meeting in Adelaide yesterday.

News Corp is developing a satellite-based platform from which it plans to dominate the provision of sports, music, movies and general entertainment in Asia. Mr Murdoch's strategy is a variant of the "be global, act local" philosophy that has come to dominate much thinking about international business.

Soon after acquiring control of the network in 1993 the company abandoned its previous goal of targeting the top 5 per cent of television viewers in Asia with English-language programmes for the mora ambitious strategy of supplying programmes in the main regional languages, such as Chinese and Hindi.

STAR MARKET
Households receiving TV network

Market	Jan 1994	Oct 1994*	% change
Greater China	33,070,226	38,180,000	+15
Indian sub-continent	7,278,000	12,265,000	+69
Asean	380,043	531,500	+40
Mid-East & Pakistan	593,777	1,364,350	+230
Others	804,838	1,376,920	+71
Total	42,126,884	53,717,770	+28

* Estimate. Source: Frank Small & Associates; Star TV

The second leg of this repositioning of the network was the realisation that Star could not earn its way by advertising revenue alone. Viewers had to pay to view the network.

In pursuing this approach News Corp has applied the lessons learned from BSkyB, Mr Murdoch's UK-based European satellite network – although this time it is being done in an emerging, not a mature, television market. Sky moved from a "free-to-air" service to a "pay-for-view" network with surprisingly little difficulty.

The same sort of transition is planned for Star, but the question is whether the move will be as easy. Can Star can collect the revenue, and at what cost?

The cost of applying this strategy in Asia is one of the main reasons why Star is losing so much money. Mr Gary Davey, chief executive of Star, hinted as much when he said in a recent interview that Star had been at the "sharp end" of developing pay-TV systems in Asia.

"We've had to build the entire engine-room behind it – the subscriber management systems," Mr Davey said. This has come at a cost – which, as Mr Murdoch forecast yesterday, is likely to get bigger in the short term rather than diminish.

Star currently operates one pay channel in north-east Asia, a Mandarin movie channel, and two in India, Star Movies and Zee Cinema.

Later this year, with the launch of AsiaSat 2, Star's capacity will increase dramatically. It has 10 transponders on the new satellite which, depending on the technology employed, will enable it to deliver up to 100 more channels.

Mr Davey says it took Sky four-and-a-half years before it produced a set of figures which management wanted to show the financial world. By the same standard Mr Davey has until mid-1997 to prove the worth of Mr Murdoch's biggest gamble to date.

INTERNATIONAL COMPANIES AND FINANCE

Investors still flocking to slimline Swiss Re

By Ian Rodger in Zurich

Swiss Reinsurance shares, long among the real dogs of the Swiss stock market, have sprung to life in the past year. And even though the shares have more than doubled from their 1994 low, investor enthusiasm remains high.

"We think there is still considerable potential," said Mr Heinrich-Horst Wiemer, an analyst at Credit Suisse in Zurich. The main reason for the change in investor sentiment was the arrival of Mr Lukas Mühlemann last summer as chief executive.

Mr Mühlemann, a former McKinsey management consultant, wasted no time putting his mark on the sleepy group. Less than two months after arriving, he announced the sale of all of the groop's primary insurance businesses so that it could coocentrate on its core reinsurance activity.

Since then, he has simplified the share structure, removed ownership restrictions, restructured the US subsidiary, acquired a Dutch reinsurance company, and entered into a strategic alliance with CS Holding, the financial services group built around Credit Suisse.

Swiss Re even popped up a couple of weeks ago as a partner in a hostile bid for Deutsche Postbank, Germany's giro operator.

"The speed at which things have changed in this company has been phenomenal," said Mr Jean-Marc Bianchi, an analyst at the Geneva private bankers Lombard, Odier.

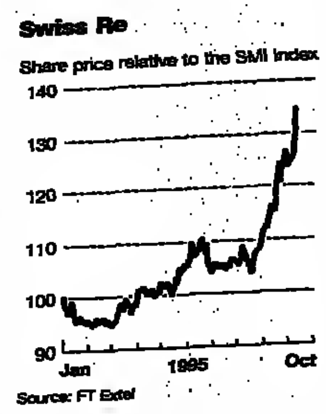
All that, happening at a favourable point in the reinsurance cycle, can account for much of the surge in the share price in recent months. And in the past few weeks, the reduction in Swiss interest rates and the increasing fund inflows from German dentists nervous about the Euro have added fizz to all financial shares.

The question now is whether there is really much more to go. At yesterday's close of SFr1,232, the shares are trading at about 1.8 times book value and 18 times estimated 1995 earnings, a valuatioo similar to that of the most profitable company in the sector, General Reinsurance of the US.

However, General Re has tended to produce a return on equity of between 12 per cent and 15 per cent in recent years. Swiss Re, by contrast, only managed 8.5 per cent last year.

In June, Mr Mühlemann promised "significaotly higher" profits this year, and analysts have been steadily ratcheting their estimates up ever since.

Mr Wiemer of Credit Suisse has just raised his forecast of 1995 net income by a tenth to SFr1.14bn ($990m) compared with last year's SFr704m.



There seems no reason why Swiss Re cannot over time matcb General Re's performance, but it remains to be seen if Mr Mühlemann can successfully redeploy the SFr5.5bn raised from the sale of the primary insurance companies.

Thus, some analysts find the speed at which the shares have risen a bit unsettling. "We recommend that people sell warrants, especially if they are short term ones, because of the risk of a correction," Mr Bianchi said.

Mr Stephen Dias of Goldman Sachs agreed Swiss Re could achieve a respectable return in the current year. "But after that, it will be more difficult, as the cycle turns. I would sell into strength."

Mr Sylvan Zülle of Bank Sal Oppenheim in Zurich, also believes that the shares have got a bit ahead of the fundamentals.

"We are not selling, but we are not aggressively buying at this level. But as long as Credit Suisse is pushing it, I will not come out," he said.

Olympic chief settles in for the long haul

Rigas Doganis plans a culture change at the Greek airline, writes Michael Skapinker

Shortly after Mr Rigas Doganis became chairman of Olympic Airways, he was asked to appoint a new doorman for the company's simulator in Crete. He refused. Since taking over as head of the Greek national carrier in February, Mr Doganis has frequently had to tell managers to make and implement their own decisions.

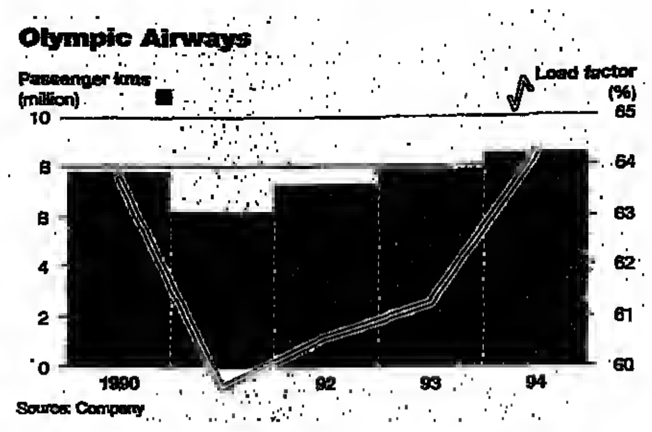

Rigas Doganis: wants his staff to make the customer king

The Greek-born Mr Doganis, who was formerly professor of air transport at Cranfield University in the UK, has more important matters to deal with. He tells staff that the survival of the airline, founded by Aristotle Onassis, is not assured, and that service standards are still too low.

Olympic's financial condition, however, is more promising than it has been for years. The airline, now state-owned, is expected this year to record its first net profit since 1978. A pay freeze, job cuts and, above all, a European Commission-approved financial restructuring have transformed Olympic's prospects, Mr Doganis says.

Under the restructuring programme, agreed between tbe Greek socialist administration and the commission last year, the government has written off debts of Dr427bn ($1.8bn). Additional government loans of Dr64bn have been converted into equity. The government has also received approval to inject Dr64bn of capital into the airline in three instalments, the first Dr19bn of which was paid in January.

Olympic's 18 unions have agreed to a two-year wage freeze. Staffing has been reduced 13.6 per cent since March 1994. Operating losses in the first six months of 1995, the weaker half of the year, fell 49.6 per cent to Dr3.9bn. Net losses were down 87.7 per cent to Dr7bn, assisted by a sharp drop in interest charges after the debt write-off. Charges for the first half of 1995 fell 84.5 per cent to Dr1.4bn.



Mr Doganis argues that Olympic has gone further in its restructuring than airlines such as Air France and Iberia of Spain. He would like Olympic to form an alliance with a European airline, but is frank about the obstacles to this: Olympic's poor service makes it an unattractive partner.

The airline is beginning the kind of staff training that British Airways put its employees through in the 1980s. Mr Doganis says: "I would like everyone in the company to think the customer is king. At the moment, we have a civil service culture."

Mr Doganis says that it might, in the meantime, be possible to persuade a US and an Asian airline to enter code-sharing agreements witb Olympic. This would allow the partner airlines to offer their customers the option of flying from New York or Bangkok to Athens on Olympic. As these partnerships would be looser than the one he envisages with a European airline, Olympic's poor service would be less of an obstacle, Mr Doganis says.

He says the airline has some strong assets, including its routes to countries with large Greek communities, such as the US, Australia and South Africa. He says Olympic has had some success in attracting non-Greek Americans on to its New York-Athens flights.

However, industry specialists say that if Mr Doganis really wants to ensure the airline's profitability, he should stop flying to Australia and Soutb Africa altogether. Flights to these countries are filled with leisure passengers, many on discounted tickets. Specialists accept, bowever, tbat no Greek government would want the political outcry that would follow this move.

Mr Doganis accepts be could fall foul of political changes in Greece. Although be has been appointed for three years, the government could end his appointment at any time – for instance if there were a change of administration.

He is encouraged, bowever, tbat wben his appointment was approved by a parliamentary committee, opposition members abstained rather than voting against him. He bopes all parties see him as a technocrat ratber tban a political appointment.

His predecessors bave, on average, survived for about a year. Industry observers believe, however, tbat Mr Doganis bas a potentially strong ally in the European Commission. The Greek government can only give Olympic the next two tranches of state aid if its restructuring programme remains on course. The departure of Mr Doganis might signal that it had not.

French automotive stocks affected by poor demand

By John Pitt

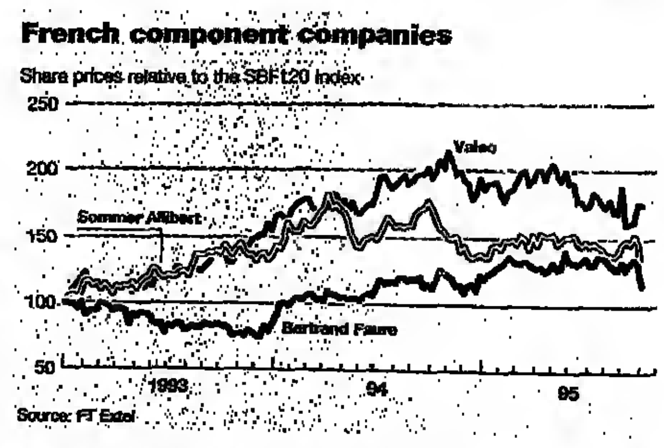
Automotive parts makers are enduring a bumpy ride. Since last Monday the shares of Sommer Allibert, Bertrand Faure and Valeo, a former market star, had fallen yesterday by 16 per cent, 10 per cent and 4 per cent respectively.

They have been hit hard as investors reacted negatively to disappointing first-half results and expectations that the rest of the year will not be much better.

Since their peak in May (when the blue chip CAC-40 index also reached record levels) shares in Sommer Allibert, Bertrand Faure and Valeo have fallen respectively 27 per cent, 22 per cent and 24 per cent.

Mr Armel Colville, at ABN-Amro in Paris, said one of their main problems had been poor demand. "We have seen the end of government incentives [tbe "Balladur" scheme] and no lasting recovery in other markets such as Italy and, to a lesser extent, Germany. There will certainly be problems during the second half for these companies."

Rising costs are also taking their toll. Mr Keith Hayes at Merrill Lynch in London says parts makers have been caught between a rock and a hard place. "On the one hand they cannot resist the rise in raw material prices and on tbe other they have been unable to pass on the rises to car manufacturers. What is needed more than anything is for a real increase in car sales throughout Europe."



Mr Colville believes, however, that this will be a transition year for the French automotive sector. "Next year should see a rebound in new car registrations throughout Europe, and especially in France, where a new incentive scbeme could generate [an increase of] between 5 per cent and 7 per cent of new sales over the same 1995 period," says Mr Colville.

Corestates Financial unveils $3bn merger

By Richard Waters in New York

Corestates Financial, the Pennsylvania-based bank and one of the disappointed suitors in the contest for Bank of Boston in the summer, yesterday unveiled a $3bn acquisition of a bank closer to home.

It announced an agreement to buy Meridian Bancorp, which has $15bn in assets and a presence in eastern Pennsylvania and Delaware.

Corestates' move marks the fifth multi-billion dollar bank combination this year in the wedge of states between New York and Washington DC: New Jersey, Pennsylvania, Delaware and Maryland. The rush to consolidate has made this among the most active areas for bank mergers in the country.

The combined bank will have assets of $45bn, putting it among the country's 20 largest, and a strong position in south-eastern Pennsylvania, northern Delaware and central New Jersey. It will boast a 23 per cent share of the banking market in Philadelphia, where Corestates is based.

Under yesterday's agreement, Corestates will offer 1.225 shares for each share in Meridian. Fears of earnings dilution led to a $2¼ fall in Corestates' share price yesterday morning, to $36⅝.

At that level, the value of its offer is equivalent to around twice Meridian's book value, which stands at $22 a share. This puts the deal broadly in line with prices paid in other bank acquisitions over the past six months. Its also represents around 12 times Meridian's expected 1996 earnings per share.

The banks said they expected to cut around 35 per cent of their combined cost base after the deal was completed, in part through shedding 115 of their 667 branches. Job losses are likely to be less than 10 per cent of the combined workforce of 19,127, they said.

The projected cost savings are more modest than those promised in similar mergers this year. Both banks, though, are in the middle of cost-cutting programmes of their own. They said these would continue in the months before the deal is completed.

Ms Kathleen Fisher, a managing director at J.P. Morgan, which advised Corestates, denied the bank's move was a defensive one after the failure to agree a merger with Bank of Boston.

With an enlarged market capitalisation of some $8.6bn, the 14th largest of any US bank, Corestates will have a dominant position in many of its markets.

Demand pressures help Weyerhaeuser to record

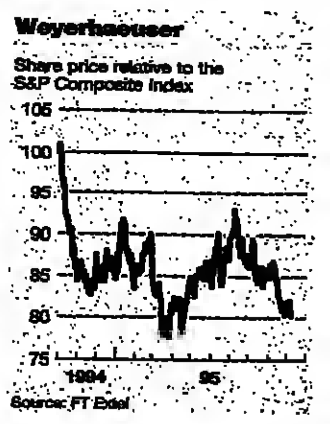
By Maggie Urry in New York

Weyerhaeuser, the US integrated forest products group, kicked off the paper sector third-quarter reporting season with a 93 per cent jump in net income, before an accounting change. The shares defied the falling stock market, rising $¼ to $45⅝ in morning trading.

Net income leapt from $144m to a record $279m, before a $185m accounting adjustment, which related to the revaluation of property assets to comply with a new accounting standard on long-lived assets.

Earnings per share were up from 71 cents to $1.37. The gain came on a sales increase of 16 per cent, to $3.11bn.

The pulp paper and packaging division hoisted operating profits from $63.5m to $365m in the quarter. Paper companies have been able to push prices sharply higher as rising demand has brought supply shortages.



However, the timberlands and wood products division suffered a fall in operating profits from $246m to $196m, although this is still high by historic standards. Weyerhaeuser said a rebound in domestic housing had been offset by weaker exports.

Mr John Creighton, president, said the group had revised its goal of achieving $400m of operating gains to one of $600m in real terms by the end of 1997. The programme, announced in November, focused on improving process reliability, enhancing the product mix, and making better use of machine capacity and raw materials.

Mr Creighton said "early results from the execution of our plans are showing up on our bottom line and are contributing to the record earnings we expect for 1995".

For the nine months, earnings per share were 84 per cent higher, up $1.95 to $3.58 before the accounting change, worth 90 cents a share. Net income advanced from $400m to $733m. Revenues rose from $7.7bn to $8.9bn.

Hoechst US arm signs biotech deal

By Daniel Green

Hoechst Marion Roussel, the US-based drugs arm of German chemical company Hoechst, has signed a deal worth up to $150m with Cell Genesys, a Californian biotechnology company.

The deal, the first since Hoechst completed its $7bn takeover of Marion Merrell Dow in May, is aimed at creating a genetic treatment for boosting the immune system of Aids sufferers.

Hoechst Marion Roussel is taking a 13 per cent stake in Cell Genesys by paying $20m for 2m new shares. Cell Genesys shares were trading $1.02 higher at $7.03 yesterday.

A further $30m is payable in stages depending on the progress of research, and a further $100m is due if a gene therapy product is successfully developed.

Hoechst Marion Roussel takes global marketing rights to any product. Cell Genesys keeps only the rights to co-promote in the US.

The deal is one of the biggest of more than 10 biotechnology partnerships signed by Hoechst Marion Roussel, the world's second biggest drugs company by sales. It commits the company to the speculative research area of gene therapy, in which the genetic make-up of cells is altered.

Cell Genesys is genetically modifying T-cells – part of the immune system – to help them kill HIV, the virus that causes Aids. It could also make them more resistant to attack by HIV. Clinical trials involving pairs of identical twins, one healthy and one HIV-infected, has begum. Next years trials on patients, without the need for an identical twin, will start. A product is unlikely this decade.

Banks enter Brazilian mining sell-off contest

By Jonathan Wheatley in São Paulo

The privatisation of mining group Companhia Vale do Rio Doce (CVRD) moved a step closer yesterday when Brazilian and international banks submitted bids for two contracts.

The first is to set a minimum sale price for the company, and the other to provide a second valuation and advise on how to structure the sale.

Interest from international banks is concentrated on the second contract because it includes the job of global co-ordinator. Brazil's national development bank, BNDES, will name the winners by the end of December.

The government plans to sell its 51 per cent holding in CVRD in the second half of 1996. Based on the value of stock already trading, the company is worth about US$10bn.

Setting a sale price, however, will be difficult because CVRD has mining and exploration rights worth an estimated $40bn.

The sale will be the most ambitious in Brazil's privatisation programme. The government hopes to make it an exercise in "popular capitalism" and widen the number of private shareholders.

However, the sale could be complicated by congressional opposition. The government is resisting attempts to make every stage of the process subject to approval in congress. The sale's appeal could also be dented by the fact that it is not an initial offering.

The BNDES had not revealed the names of banks submitting proposals by yesterday evening, but the following alliances were thought to be in contention:

J.P. Morgan, Kleinwort Benson and Banco Garantia; CSFB, Morgan Grenfell and Deutsche Bank; Salomon Brothers, Robert Fleming and Banco Patrimônio; Lehman Brothers, Lazard Frères, Long-Term Credit Bank of Japan and Banco Icatu; Bear Stearns, Citibank and Hong Kong and Shanghai Bank; Goldman Sachs, Paribas, Nomura and Banco do Brasil; Merrill Lynch, Rothschild and Bradesco; and Smith Barney, ABN and Opportunity

IBM Canada raises stakes in bid tussle for DMR

By Robert Gibbens in Montreal

IBM Canada has joined the fight for DMR, the Canadian-based international information technology consultant, out-bidding Amdahl and BDM International of the US.

IBM Canada bid C$11 a share for all of DMR, for a total of some C$165m (US$123.5m). This is about 33 per cent above Amdahl's $8.25-a-share offer of September 13 and BDM's $9 a share a week later.

DMR's publicly-traded A shares have moved between C$3.50 and C$5 over the past few years, and were C$4.25 when Amdahl made its bid. DMR earned C$5.1m, or 36 cents a share, on revenues of C$276m in the year ended May 31 from its computer service operations in North America, Europe and Australia.

"Suddenly, DMR has become the hottest stock in town," said one analyst who has followed DMR closely. "IBM knows DMR very well and they are working together on a big Air Canada systems contract."

All three bidding companies had been negotiating on and off with Mr Pierre Ducros, founder-chairman of DMR, since late last year. Finally, Mr Ducros and two other big shareholders committed 99 per cent of the B shares (10 votes a share) and 15 per cent of the A shares (one vote) under a lock-up agreement to Amdahl.

They said Amdahl's offer was best for all shareholders and the 2,800 employees, since it would merge its own IT business with DMR, with headquarters and research in Montreal.

IBM Canada said it would be helped by a decision in the Quebec Superior Court yesterday allowing DMR's class A shareholders to convert their shares into class B to take advantage of an offer for class B stock. This follows a move by BDM to upset Amdahl's bid by using conversion rights attached to the DMR A shares.

Within minutes of the ruling, IBM Canada said it would offer C$11 a share. It requires 90 per cent acceptance.

AMERICAS NEWS DIGEST

Healthsouth agrees to $1.2bn purchase

Healthsouth Rehabilitation of the US yesterday agreed to acquire Surgical Care Affiliates, the Nashville-based operator of outpatient surgery centres, in a stock swap valued at about $1.2bn. Healthsouth, which provides a range of rehabilitation services, said the agreement involved it exchanging 1.22 common shares for each Surgical Care common share. The exchange ratio is subject to adjustment if Healthsouth's common share price rises above $28 or falls below $22.

Healthsouth said it expected the acquisition to contribnte to 1996 per-share earnings. The companies expect the transaction to close in early 1996.

Healthsonth will acquire 67 existing surgery centres and an additional 10 centres under development. On completion of the merger, Healthsouth will have about 600 healthcare facilities, including 122 surgery centres.

The boards of both companies have approved the merger, but it still requires shareholder approval.

AP-DJ, Birmingham, Alabama

Mentor Graphics in $130m buy

Mentor Graphics, the US-based electronic design automation software group, is acquiring Microtec Research, a leading supplier of software development tools for the embedded software market, in an all-share deal worth about $130m.

The merger is aimed at creating "the world leader in complete electronic hardware and software design solutions", and reflects the need to shorten product design cycles for a wide range of electronic products.

Each outstanding share of Microtech will be converted into about 0.694 of a Mentor Graphics share. The deal's value is based on Mentor's closing share price of $20.125 on Nasdaq on Friday. "This merger is especially significant as system designs incorporating integrated hardware and software represent the majority of design starts today," said Mr Gary Smith of Dataquest.

Paul Taylor

Wal-Mart plans store expansion

Wal-Mart Stores, the largest retailer in the US, plans to open about 75 new discount stores and 110 new Supercenters in the US during the year beginning February 1 1996.

It said it also planned to develop between 30 and 35 new discount stores, Supercenters and Sam's Clubs in Argentina, Brazil, Canada, China, Mexico and Puerto Rico.

Wal-Mart said about 95 of the new domestic Supercenters would come from relocations or expansion of existing discount stores. It also plans to open 12 new clubs.

The planned expansion encompassed about 28m sq ft of new retail space. Wal-Mart said it planned to open one regional general merchandise and two food distribution centres in the next year.

At September 30, the company had 1,974 Wal-Mart stores, 209 Supercenters, 431 Sam's Clubs, 128 Canadian Wal-Mart stores, 1 Brazilian club, 1 Argentina club, 3 Hong Kong Value Clubs, 8 Puerto Rico units and 119 Mexican units.

AP-DJ, Bentonville, Arkansas

Lomas sells mortgage assets

Lomas Financial of the US and its mortgage banking unit, Lomas Mortgage USA, have filed for protection under Chapter 11 of the federal bankruptcy code.

Lomas has agreed to sell "substantially all" the remaining assets of Lomas Mortgage to a unit of First Nationwide Bank for $150m. The filing and the sale were made necessary by Lomas's "deteriorating financial condition", the mortgage bank said.

AP-DJ, Dallas

COMPANY NEWS: UK

Cobham US contract marks breakthrough

By Tim Burt

Cobham, the aerospace engineering group, yesterday said it was poised to sign the largest contract ever placed for flight refuelling equipment, which could involve refit work on more than 150 aircraft.

The company, known formerly as FR Group, said it would be one of the main beneficiaries of the deal signed last month between Boeing and the US Air Force for the upgrading of its fleet of tanker aircraft.

Cobham, the world's largest manufacturer of in-flight refuelling equipment, said the agreement would guarantee more than 800 jobs at its Wimborne plant in Dorset and would be worth up to £1m per aircraft. In all, some 400 of the USAF's 600 KC-135R tanker aircraft are due to be refitted by Boeing, for whom Cobham is the principal sub-contractor for refuelling equipment.

Mr Gordon Page, chief executive, predicted: "It will ensure the work at our Flight Refuelling subsidiary for the next five to six years."

The deal was also welcomed by City analysts, who described it as a breakthrough for the UK group.

Improved contributions from Flight Refuelling helped lift pre-tax profits from £12.3m to £14.1m on sales of £111.4m (£100.8m) in first half of 1995.

Mr Page said all the businesses had performed satisfactorily, including Chelton – its antenna systems manufacturer – which has secured a large order for the US Navy.

FR Aviation, which provides surveillance and "special mission flight operations", has also won a further five-year order to provide electronic warfare and threat simulation training for the Royal Navy.

Lloyds and TSB merger may give savings of £400m

By Alison Smith and Norma Cohen

The announcement today of the terms of the planned merger between Lloyds Bank and TSB Group is expected to say that the combined group plans savings of £400m ($620m) annually within a few years.

The commitment to cost savings is an important element in convincing shareholders of the rationale for the deal which would create a Lloyds TSB Group witb tbe most extensive high street presence and largest personal customer base of any UK bank.

Pressure to reduce costs is expected to start in areas such as information technology and other backroom functions, which would not be affected by the decision to maintain both Lloyds and TSB bank brands for the immediate future.

The banks are also expected to say that there are several areas wbere savings can be made without large-scale job losses. Any jobs which would go would be lost over a long enough period for natural wastage to account for most, though not all.

Assuming the deal is not referred to the Monopolies and Mergers Commisaion, the merger could be completed by the end of the year.

TSB institutional shareholders yesterday welcomed the offer, saying that they had increased their holdings in the company because they viewed its weak management as leaving it vulnerable to a takeover bid.

But they also said that acquisition of TSB is tbe last remaining entry point to the UK retail banking market on any large scale. For that reason, they expect a rival bid to emerge. However there was no sign yesterday of a counter-bid from any of the other large UK banks. HSBC, which owns Midland Bank and has been seen as the most likely of the UK banks to put up a competing offer, said:"We have no plans to interfere."

St Ives buoyed by higher margins

By James Harding

St Ivas, the UK's largest independent printer, yesterday reported pre-tax profits ahead of market expectations as higher volumes enabled the company to improve margins.

Pre-tax profits for the year to July 28 rose 60 per cent to £35.5m, against £22.3m struck after a £4.93m exceptional loss on a disposal.

Mr Miles Emley, chairman, said: "We will be reaping the full benefits of our recent capital expenditure when all the equipment comes on stream during the current financial year." St Ives is more than halfway through a £77m capital expenditure programme aimed at improving unit costs.

There was growth in volumes across St Ives' businesses except for financial printing.

Tha acquisition in August of Johler Druck, a German printer, should feed through to profits in the current year,Mr Emley said. The company is looking for acquisitions in Europe and north America.

RPR takes its stake in Fisons to more than 20%

By Motoko Rich

Rhone-Poulenc Rorer continnes to bolster its holding in Fisons, the target of its hostile bid, yesterday taking the stake it has boogbt in the market to more than 20 per cent.

RPR also said it had received acceptances worth 0.27 per cent of Fisons' shares.

Buying in the market yesterday, the Franco-US drugs group added a holding of about 2.7 per cent to the stake it secured last week after raising its bid from £1.7bn to £1.83bn. It has now bought 20.9 per cent of Fisons in the market.

It is understood that RPR intends to stop buying unless offered large blocks of shares.

Dobson highlights sales value

Dobson Park Industries, the mining equipment manufacturer, yesterday stepped up its defence against Harnischfeger by claiming that its US rival had underestimated the sales value of its coal face products, writes Tim Burt.

The UK company, which has rejected Harnischfeger's £172m ($267m) offer, said its order patterns were set to increase and had not yet peaked, as suggested earlier by the US group.

Mr Adrian Buckmaster, chief executive, said increasing coal output, particularly in the US and Australia, would increase the "sales value per face" for its mining equipment.

The arguments between the two sides centre on the prospects for Longwall International, Dobson Park's mining equipment snbsidiary. Despite scepticism at Harnischfeger, Dobson Park said: "Longwall is now set to make rapid progress witb considerable potential for improved profitability."

The group is expected to underline that potential next week by publishing profit figures from Longwall, whicb became a wholly owned subsidiary in January this year.

Ports and buses lighten the transport gloom

Geoff Dyer looks at a sector suffering from a recent surfeit of bad news

Results season
Round-up

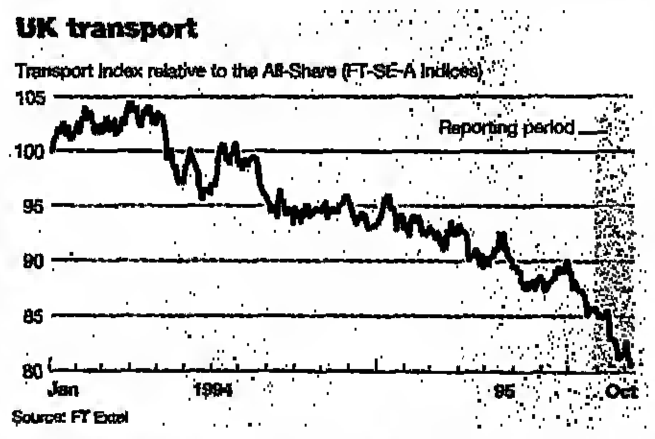
The transport sector has been looking sbell-shocked over the last two months. The biggest losers have been the companies fighting it out over tbe cross-channel passenger market.

Peninsular & Oriental Steam Navigation Company reported a modest rise in interim pre-tax profits from £128.6m to £131.9m. But the shares of the shipping, transport and property company have taken a hammering – down 16 per cent since August – over fears that ferry profits are collapsing because of competition from the Channel Tunnel. First half ferry profits dropped to £24.8m (£30.7m) and are expected to fall further in the second half.

Its rival, Eurotunnel, has fared even worse. Tbe Anglo-French operator of the Channel tunnel, wbicb suspended interest payments on £8bn of debt last month, was not expected to make profits. But the size of its interim pre-tax losses, £466m, provided further evidence of its financial crisis. Its shares bave plummeted from 161p to 92½p since August, a drop of 43 per cent.

Life has continued to be hard work for the logistics companies. Tibbett & Britten, once the star performer of the industry, issued its second profits warning in four months in September, dne to mounting losses at its motor distribution subsidiary, Axial UK.

As a result first half pre-tax profits fell 60 per cent to £5m (£12.6m), although turnover was higher at £308m (£203m). The shares have dropped 12 per cent in the last month to 468p.



Source: FT Extel

NFC bas also struggled, reporting a drop in third quarter profits to £22.6m (£28.5m). That was below analysts' expectations and was blamed on continued pressure on margins in the core logistics business. Its shares are also down 12 per cent in the last month.

The star performers in the transport sector have been the port companies, which are continuing to enjoy a renaissance in their fortunes.

Forth Ports capped its 21 per cent increase in interim pre-tax profits to £6.9m (£5.7m) and its 14 per cent rise in volumes with the £132m acquisition of the port of Tilbury on the Thames. Its shares are 15 per cent np in the period.

The biggest of the ports companies, Associated Britisb Ports, maintained its recent strong performance with a 14 per cent rise in the first half pre-tax profits to £43.5m (£38m). Its volumes were 5 per cent bigher, boosted by its operations at Southampton and the Humber estuary.

The bus companies have also continued to produce good results. Go-Ahead,tbe Gatesbead-based bus operator, reported a trebling of pre-tax profits to £8.5m (£2.9m) in its first full year since floating, bowever this was in part due to an accounting change.

At National Express, the coach and airport group, the April acquisition of West Midlands Travel, the Birmingham-based bus company, was behind the increase in interim pre-tax profits from £552,000 to £7.79m. However excluding WMT, operating profits still more than doubled to £2.6m (£1.2m).

This is the fourth in tha series. Life assurance appeared on October 5, vehicles engineering on October 6 and textiles yesterday.

Bakyrchik Gold funds

Shares in Bakyrchik Gold, a London listed company with a gold project in Kazakhstan, fell by 37p, from 199p to 162p yesterday, after it gave a warning that cash outflows were considerably higher than previously anticipated, writes Kenneth Gooding.

Bakyrcbik said it bad appointed N.M. Rothscbild, the merchant bank, to identify an industry investor and this might lead to an offer being made for the company or there might be a joint venture.

The company stressed it would continue as a going concern if neither of these options came to anything.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Capital & Regional	6 mths to June 24	4.9☐	(3.5☐)	2.04	(1.24)	3.68†	(2.85)	0.6	Nov 24	0.6	-	2.1
Cobham	6 mths to June 30	111.4	(100.8)	14.1	(12.3)	12.39	(11.01)	3.05	Dec 11	2.7	-	8.32
Cohen (A)	6 mths to June 30	49.5	(35.5)	1.8	(0.764)	72.6	(27)	6✱	Feb 2	nil	-	7.5
Development Secs	6 mths to June 30	11.9	(9.7)	0.6	(1)	2	(4)	0.6	Nov 23	0.8♦	-	2.4♦
Five Oaks Invs	Yr to June 30	8.13	(9.13)	2.33	(2.28♥)	2.1	(2.54)	0.4	Dec 9	0.3	0.7	0.5
JJB Sports	6 mths to July 31	37.5	(25.6)	4.82	(2.55)	10.36	(6.55)	2.75	Dec 11	-	-	2
Lendu	Yr to June 30	0.897	(0.636)	0.043L	(0.087L)	0.01	(0.29)	0.25	Nov 22	0.25	0.25	0.25
Lloyds Chemists	Yr to June 30	1,082	(940)	42.2♠	(58.3♥)	22.26	(33.67)	7.3	Dec 14	6.8	10.2	9.5
QSP	6 mths to June 30	10.1	(7.27)	0.805	(0.604)	9.2	(7.2)	1.5	Jan 15	1	-	4.5
St Ives	Yr to July 28	264.2	(237)	35.5	(22.3♠)	25.36	(13.48)	a	Dec 4	4.5	8.5	6.4
Sinclair (Wm)	Yr to June 30	44.4	(41.3)	4.73	(4.17)	14.7	(13)	5.8	Nov 16	5.45	7.6	7.15
Thorntons	Yr to June 24	95.6	(96.6)	10.5♠	(12.1)	10.36	(12.19)	3.8	Nov 30	3.45	5.3	4.9
Trafficmaster	6 mths to June 30	1.25	(0.571)	1.12L	(0.541L)	5.1L†	(2.9L)	-	-	-	-	-
Walker Greenbank	6 mths to July 31	45	(36.3)	4.24	(4.14)	2.51†	(2.88)	1.3	Dec 12	1.3	-	3.6
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
European Smaller	Yr to June 30	137.3	(135.3)	0.215	(0.277)	0.6	(0.78)	0.56	Nov 30	0.56	0.56	0.56
Henderson Highland	6 mths to Aug 31 ★	128.5	(126.1)	0.903	(0.835)	3.46	(3.2)	1.45‡	Nov 17	1.4	-	5.7
HTR Inc & Growth	37 wks to Aug 31	110.3	(-)	0.985	(-)	3.9	(-)	1.5‡‡	Nov 10	-	-	-
Intl Biotechnology	Yr to Aug 31	127.37	(96.24)	0.329	(0.191)	0.87	(0.51)	1	-	-	1	-
NB Smaller Cos	6 mths to Aug 31	151.4	(145.2)	0.902	(0.479)	3.34	(1.78)	0.94#	Dec 5	0.94	-	3.68

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. ☐Rental income. †On increased capital. ✱Foreign income dividend. ♦Restated for share consolidation. ♠After exceptional charge. ♥After exceptional credit. ★Comparatives restated. ‡Second interim; makes 2.9p to date. ‡‡Second interim; makes 3p to date. #Special of 0.74p also declared.

QSP seeks £14.7m for US purchase

Quality Software Products is raising £14.7m ($23m) by a 7-for-20 rights issue of 3.05m shares at 535p to fund the acquisition of Global Software, its US distributor, and expansion into Europe, the Middle East and the Asia Pacific region.

Tha shares of the Gateshead-based accounting software group rose by 79p to 705p, after it also reported a rise in pre-tax profits to £805,000 (£604,000) in the first half of 1995. Turnover increased 39 per cent to £10.1m.

QSP is paying $11.4m for Global made up of $4.4m in shares and the balance in cash. QSP will also repay about $6.6m in liabilities accrued by Global.

Approximately half the proceeds will provide working capital to exteod overseas sales and support operations in New York, Chicago, Italy, New Zealand and Dubai.

Global, based in North Carolina, antered a joint venture with QSP in February 1994 to market its Universal Olas accounting software in the US, Canada and Mexico.

"Olas is proven in traditional markets like the UK and Australia. QSP are paying for 18 months of marketing work that the joint venture partner did in the States," said one broker. He estimated that within two years 50 per cent of QSP's business would be in the US.

Despite losses of £4m over the period to June 30 1995, QSP directors said Global's poor performance was "primarily by reason of a shortage of working capital".

Alan Mordain, QSP chairman, described the group's results for the period to 30 June 1995 as solid.

CONTRACTS & TENDERS

هكذا من الأصل

COMMODITIES AND AGRICULTURE

Aluminium prices drop to 12-month lows despite Canadian smelter strike

By Kenneth Gooding in London and Robert Gibbens in Montreal

Aluminium prices on the London Metal Exchange dropped below $1,700 a tonne (77 cents a pound) for the first time in more than a year yesterday in spite of strike action at smelters in Quebec and news that global stock levels were continuing to fall.

When unions at Alcan's smelters decided to strike late last week, threatening production of about 9,000 tonnes a week, the price of aluminium for delivery in three months rose to $1,800 a tonne. Sentiment quickly changed, however, as analysts suggested that Alcan, the second largest aluminium producer, would almost certainly have built up stocks to enable it to cover its immediate requirements.

The market's mood yesterday also reflected the fact that striking Alcan employees in Quebec are to vote today on the company's final pay offer, going over the heads of their union negotiators.

About 72 per cent of eligible workers decided Monday to reject their union leaders' advice to reject Alcan's package worth 12.6 per cent in pay and other benefits over three years, plus an annual bonus tied to metal prices. The union was seeking about 15 per cent.

The employees' "free" vote today was critical, said Mr Charles Belbin, Alcan spokesman. "Naturally we hope they will accept so steps can be taken to reopen the Quebec plants – a job that can take several weeks."

Mr Jim Lennon, analyst at Macquarie Equities, part of the eponymous Australian banking group, pointed out: "The strike would have to continue for several months to have a major impact on the market's supply-demand balance. Even if the strike was prolonged, you would almost certainly see other producers raising their output to offset Alcan's losses and there is still more than 1.8m tonnes of idled capacity available for restart."

Alcan itself announced early yesterday morning, London time, that it would restart 10,000 tonnes of capacity at its Lynemouth and Lochaber smelters in the UK. This would "play a valuable role in our efforts to ensure that we continue to meet our customers' needs," said Mr Claude Chamberland, an Alcan vice president. However, Alcan had no present intention of restarting a 60,000 tonnes line at its Sebree, Kentucky, smelter.

The London Metal Exchange reported yesterday that stocks of aluminium in its warehouses had fallen by another 4,625 tonnes while the International Primary Aluminium Institute said producer stocks fell in August from 3.811m tonnes in July to 3.784m tonnes. But this news failed to underpin prices and three-month aluminium closed on the LME last night at $1,690 a tonne.

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	-4,625	to 525,900
Aluminium alloy	+40	to 46,540
Copper	+675	to 176,225
Lead	+975	to 207,900
Nickel	-1,519	to 57,672
Zinc	-3,375	to 737,200
Tin	+40	to 14,965

NY softs exchange reconsiders plan to move

By Laurie Morse in Chicago

New York's Coffee, Sugar, and Cocoa Exchange board of managers will meet today to reconsider its decision to move the exchange to New Jersey in the light of $30m in incentives recently offered by New York City and New York State to keep it in New York.

The board will also consider a $48m merger offer made by the neighbouring New York Mercantile Exchange two weeks ago.

The CSCE and the New York Cotton Exchange agreed nearly three months ago to accept a financial package, worth about $35m, from New Jersey to construct a new trading facility in that state. That agreement, CSCE officials have said, precludes the exchange from merger negotiations with Nymex. However, the new financial package offered by New York City could make such a merger, and the creation of a joint trading floor in New York, more attractive for all the city's commodity exchanges. Alternatively, the CSCE and the Cotton Exchange could choose to remain in New York and remain independent, building a new exchange on their own.

The CSCE did not hold a membership referendum scheduled for Monday on the New Jersey proposal, saying it needed time to consider New York's offer. A CSCE official said that vote had not been rescheduled and that no membership referenda were planned for any of the alternatives being considered.

Caribbeans draft Chinese wasps into war against mealy bug

By Canute James in Kingston

Chinese wasps are the latest recruits in the war being waged in the Caribbean against the hibiscus mealy bug, which is attacking agriculture in Grenada and Trinidad and Tobago and is expected, if not checked, to spread into neighbouring countries.

The wasps will be released in Grenada later this month, and if the move is successful it will be repeated in neighbouring Trinidad and Tobago.

"The parasitic wasp was used in a similar way in Egypt in the 1930s and it worked very successfully there," said Dr Matthew Cock of the International Institute of Biological Control.

"The climate and ecology of Trinidad and Grenada is not the same as Egypt, so we cannot say with certainty that it would work in the same way. But I am optimistic that it will have a significant effect in controlling the pest."

The hibiscus mealy bug can stunt or kill up to 125 types of plants and trees. The pest, which has been particularly damaging in Grenada, is being fought with chemicals and the burning of affected plants. Trinidad and Tobago recently declared a "national emergency" to deal with the mealy bug, with government officials saying the pest threatened sugar cane, citrus, mango and teak plantations.

Several Caribbean countries have banned food imports from Grenada because of the infestation.

Officials say that neighbouring countries that might be affected by the pest include Barbados, St Vincent and Venezuela.

India's bumper sugar crop exceeds expectations

Kunal Bose on a spectacular recovery from the disastrous 1993-94 performance

Proving all the earlier projections wrong by a wide margin, the Indian sugar mill industry ended the 1994-95 season last month with record production of 14.6m tonnes. That compared with the disastrously low 9.82m tonnes produced last year.

According to industry officials, a bumper cane crop of 250m tonnes, with improved sucrose content, and a lower rate diversion into the manufacture of alternative sweeteners like gur and khandsari were responsible for the record-breaking performance.

Except for drought-prone Gujarat, where sugar production fell to 759,000 tonnes from 826,000 tonnes, all major producing states recorded handsome gains in output. Maharashtra's increase in production of 2.75m tonnes to 5.03m tonnes was the most remarkable. Uttar Pradesh, the largest cane growing centre in the country but where the sugar factories always run the risk of losing cane to the gur units, has raised production by 896,000 tonnes to 3.61m tonnes.

The challenge before the industry and the government is to cope with a total supply of 17.9m tonnes, including the season's opening stock of 3.1m tonnes and imports of 200,000 tonnes. New Delhi exercises control over sugar factories in a number of ways, including the fixing of minimum cane prices, procurement of a large quantity of sugar at less than production cost for distribution through fair price shops and deciding the industry's monthly release of sugar in the open market.

Unable to foresee in the beginning of the season that the country would have record sugar production and still smarting under last year's sugar scandal involving delayed imports by the official agencies and resultant high sugar prices, the federal government authorised forward contracts for the import of 400,000 tonnes of sugar. But once it became clear that domestic production was high enough to keep prices of sugar – a highly politically-sensitive commodity in India – in check well beyond the parliamentary elections to be held early next year, the government, at the urging of the industry, cancelled import contracts for 200,000 tonnes. By that time, however, shipments of 200,000 tonnes of sugar had already been made.

The industry has also asked the government to strike sugar from the list of duty-free imports.

"The current season's record output has forced the factories to maintain an average stock of 6.4m tonnes, which is 1m tonnes more than has been assumed by the Bureau of Industrial Costs and Prices in working out the industry's cost of production. An extra stock of 1m tonnes is to cost the industry an additional Rs2.5bn ($79.36) a year, which we are not in a position to mobilise," said Mr OP Dhanuka, spokesman for the Indian Sugar Mills Association.

The low prices of sugar in the open market, a result of the government directive to release more sugar every month than the market can absorb at economic rates, are preventing the factories from settling cane bills on time.

Even though cane crushing for the current season is over, the industry still owes about Rs3bn to the growers. Industry officials feel extremely uncomfortable with the unpaid cane bills as the exasperated growers may switch to other crops. However, the standing crop to be harvested during the season beginning October 1, 1995 is big enough to allow the industry to produce at least 15m tonnes of sugar. The government is therefore assured that the annual demand for 12.2m tonnes of sugar can easily be met for the next two seasons and the price of the commodity kept in check.

What the industry finds intriguing is that in spite of an assurance from Mr Narasimha Rao, prime minister, that a sugar buffer stock would be created to give relief to the factories and to the growers, the finance ministry is not willing to release money from the Sugar Development Fund to build the stockpile.

According to industry officials, the stand of the finance ministry is untenable as the functions of the development fund, created by an act of parliament, are to support modernisation of factories, promote cane cultivation and build a buffer stock. Moreover, the SDF's financial reserves of over Rs7bn have been built up over the years by way of a levy on sugar production.

The industry has proposed a stockpile of 1m to 1.5m tonnes.

In the meantime, the Indian Sugar & General Industries Exim Corporation, the trading arm of ISMA and the National Federation of Co-operative Sugar Factories, has sold 50,000 tonnes of sugar, which the government released for export as a first instalment. In addition Russia had picked up a large amount of sugar from India under the rupee debt repayment scheme. And the industry expects that the government will allow the export of 1m tonnes of sugar from the current year's production in phases.

MARKET REPORT

Coffee steadies after retreat

London Commodity Exchange robusta COFFEE futures drifted lower again under late producer selling yesterday but ended above the lows reached in the morning.

Traders said the market's bearish trend was still intact, but selling had been overdone in the past few days. "The market didn't want to remain $40 down on the day," said one trader. "It is now finding it hard to go down."

The January futures position finished down $1 at 2,198 after shedding $39 at opening and trading in a $2,210-$2,154 range.

LCE white SUGAR futures turned down from earlier highs but a general tightness of European sugars could put more strength into the front-month December position before it expired next month, traders said.

December has gradually firmed after bursting through a five-month upward trend line at the end of last week and is now nudging a six-month line dating from the end of March.

"There's nothing to be had on EU whites for the next two months," said one trader, adding that the situation in Turkey might also bolster nearby prices.

According to Turkish industry officials, the country would probably have to import sugar next year to meet demand following a three-week strike in its sugar industry. Imports could easily total between 200,000 and 400,000 tonnes, they said.

Cocoa futures turned lower across the board on speculator selling as a lack of fresh physical news prompted the London market to follow bearish sentiment in New York.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1687-8	1722-3
Previous	1732-3	1766-7
High/low	1696/1695	1752/1690
AM Official	1696.0-6.5	1732-2.5
Kerb close		1691-2
Open int.	204,696	
Total daily turnover	74,098	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1460-70	1500-10
Previous	1490-500	1535-40
High/low		1530/1505
AM Official	1465-70	1505-15
Kerb close		1500-10
Open int.	3,172	
Total daily turnover	844	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	589-90	599-600
Previous	594-5	606-6.5
High/low	596	605/598
AM Official	595.5-6.0	602-3
Kerb close		598-600
Open int.	33,150	
Total daily turnover	7,335	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7825-35	7950-55
Previous	7845-55	7970-80
High/low	7845/7805	8010/7930
AM Official	7845-50	7985-90
Kerb close		7940-50
Open int.	44,549	
Total daily turnover	10,427	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6130-40	6185-90
Previous	6225-35	6265-75
High/low		6250/6150
AM Official	6195-200	6240-45
Kerb close		6165-70
Open int.	19,765	
Total daily turnover	4,557	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	986-7	1010-11
Previous	994.5-5.5	1018-9
High/low	991.5/991	1018/1002
AM Official	991-1.5	1015-6
Kerb close		1001-2
Open int.	78,410	
Total daily turnover	11,910	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2802-5	2773-4
Previous	2927-30	2803-4
High/low		2796/2768
AM Official	2827-8	2789-9.5
Kerb close		2776-7
Open int.	187,219	
Total daily turnover	56,911	

■ LME AM Official £/$ rate: 1.5800
LME Closing £/$ rate: 1.5780

Spot:1.5780 3 mths:1.5747 6 mths:1.5710 9 mths:1.5675

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	125.50	-3.05	128.55	125.50	1,320	125
Nov	124.40	-3.20	125.00	124.50	1,179	10
Dec	123.60	-3.10	127.70	123.50	18,698	3,608
Jan	122.90	-2.90	126.00	122.80	569	0
Feb	122.20	-2.55	123.00	123.00	414	-
Mar	121.70	-2.15	124.60	121.70	4,899	370
Total					32,880	4,133

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	385.00-385.40		
Opening	384.70-385.10		
Morning fix	384.70	243.821	443.367
Afternoon fix	385.10	243.785	440.785
Day's High	385.70-386.10		
Day's Low	384.50-384.90		
Previous close	384.30-384.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.00 6 months 3.96
2 months ....3.99 12 months 3.96
3 months 3.92

Silver Fix	p/troy oz.	US cts equiv.
Spot	344.00	543.50
3 months	347.55	548.00
6 months	351.80	553.45
1 year	360.55	564.65
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	384-387	243-245
Maple Leaf	396.20-398.70	-
New Sovereign	88-91	56-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	385.3	-0.2	386.4	385.4	625	16
Dec	387.6	-0.2	388.7	387.3	101,549	14,396
Feb	389.9	-0.2	390.5	389.7	22,412	133
Apr	392.3	-0.3	392.7	392.7	9,542	2
Jun	395.0	-0.3	395.8	395.1	13,064	26
Aug	397.6	-0.3	398.7	397.9	1,795	-
Total					181,497	14,578

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	418.7	-0.2	421.0	418.9	627	4
Jan	417.7	-0.2	421.5	417.0	21,579	1,647
Apr	417.7	-0.6	421.5	419.0	1,602	26
Jul	418.7	-0.6	-	-	1,385	2
Oct	418.7	-0.6	-	-	31	1
Total					25,224	1,680

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	140.85	+0.90	141.00	139.25	5,274	143
Mar	141.90	+0.90	141.50	141.00	753	23
Jun	143.15	+0.90	-	-	75	20
Total					6,102	186

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	540.7	-0.1	-	-	-	-
Dec	544.7	-0.3	551.0	542.0	59,127	8,053
Jan	546.4	-0.3	-	-	26	2
Mar	550.8	-0.1	555.0	548.5	11,477	175
May	554.9	-	556.0	556.0	0,448	3
Jul	558.7	+0.1	558.0	558.0	6,406	30
Total					97,208	8,276

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	17.20	-0.11	17.37	17.15	58,330	26,463
Dec	16.93	-0.09	17.10	16.88	72,529	15,374
Jan	16.83	-0.08	16.95	16.79	41,483	6,674
Feb	16.79	-0.06	16.85	16.77	10,614	4,209
Mar	16.77	-0.08	16.84	16.75	16,817	1,915
Apr	16.73	-0.10	16.80	16.73	12,415	1,524
Total					335,101	59,991

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	15.90	-0.06	16.03	15.85	37,242	12,974
Dec	15.75	-0.06	15.85	15.70	53,819	9,277
Jan	15.63	-0.09	15.75	15.63	24,438	1,999
Feb	15.57	-0.08	15.66	15.56	10,090	797
Mar	15.51	-0.09	15.57	15.50	6,304	524
Apr	15.47	-0.17	15.53	15.47	2,973	2
Total					148,231	25,688

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	48.30	-0.44	48.85	48.10	39,405	6,688
Dec	48.90	-0.44	49.50	48.70	40,852	4,255
Jan	49.35	-0.43	49.80	49.20	33,012	1,702
Feb	49.25	-0.33	49.55	49.10	15,432	453
Mar	48.35	-0.10	48.50	48.25	6,300	81
Apr	47.45	-0.03	47.45	47.30	3,714	420
Total					185,079	14,130

■ GAS OIL IPE ($/tonne)

	Latest price	Day's change	High	Low	Open int	Vol
Oct	146.80	-0.75	147.50	146.00	12,619	6,671
Nov	147.25	-0.75	148.50	147.25	30,785	6,221
Dec	148.00	-0.75	149.25	148.00	23,793	2,526
Jan	148.75	-0.25	149.50	148.50	20,178	1,471
Feb	148.50	-0.50	149.50	148.75	3,991	616
Mar	148.00	-	148.75	146.00	3,618	382
Total					103,185	18,206

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	1.802	0.043	1.884	1.792	22,898	8,985
Dec	1.611	0.039	1.963	1.905	24,699	6,128
Jan	1.940	0.023	1.990	1.940	22,150	4,493
Feb	1.865	0.015	1.900	1.865	11,596	2,273
Mar	1.791	0.010	1.805	1.791	8,982	514
Apr	1.720	0.011	1.725	1.715	5,320	312
Total					133,889	24,594

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	50.05	-0.19	50.50	49.80	25,279	11,608
Dec	48.10	-0.12	49.35	48.65	16,376	5,288
Jan	49.10	-0.10	49.25	48.80	7,098	910
Feb	49.50	-	48.66	49.15	2,897	974
Mar	49.80	+0.05	49.90	49.00	1,682	107
Apr	52.50	+0.10	52.50	52.50	2,920	121
Total					59,726	19,605

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	115.65	+0.70	115.60	115.00	2,144	133
Jan	118.20	+0.50	118.10	117.75	1,786	25
Mar	120.20	+0.60	120.10	119.70	1,248	103
May	122.30	+0.75	122.20	121.75	2,012	20
Jul	123.50	+0.50	-	-	74	-
Sep	106.25	+0.25	-	-	6	-
Total					7,271	281

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	483¾	+2	486	481¾	60,010	10,630
Mar	492½	+2¾	494½	490	25,648	4,052
May	463½	+3¼	463½	460	2,842	649
Jul	416¾	+4½	418	414½	8,853	801
Sep	418¾	+4¾	419	416¾	242	71
Dec	429	+4¼	429½	425½	263	67
Total					97,980	16,371

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	317/6	+4/4	318/0	313/6	234,760	30,607
Mar	324/4	+5/0	325/0	319/6	134,430	11,258
May	325/6	+4/0	326/0	322/2	21,981	2,222
Jul	324/0	+3/2	324/4	320/6	39,603	3,215
Sep	295/4	+2/0	296/0	293/2	4,554	157
Dec	278/2	+2/6	278/4	276/0	16,212	741
Total					451,961	48,218

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	107.70	+0.35	107.50	107.50	698	0
Jan	110.90	+0.45	110.45	110.45	695	7
Mar	113.35	+0.75	112.85	112.75	539	25
May	115.25	+0.45	115.25	115.25	157	20
Sep	104.00	-	-	-	-	-
Nov	106.00	-	-	-	-	-
Total					2,089	59

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	648/6	+6/0	649/4	642/2	00,411	14,093
Jan	658/2	+6/0	660/0	653/0	33,010	3,609
Mar	668/2	+6/0	669/0	662/0	15,464	1,102
May	674/6	+6/2	675/0	668/4	7,266	503
Jul	679/2	+5/6	679/4	673/2	8,102	381
Aug	675/6	+5/2	676/0	670/0	142	36
Total					154,827	20,146

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	27.10	+0.07	27.15	26.92	2,136	647
Dec	27.26	+0.15	27.35	27.03	40,760	4,686
Jan	27.31	+0.15	27.39	27.10	10,113	637
Mar	27.39	+0.15	27.49	27.10	9,928	735
May	27.52	+0.22	27.57	27.22	5,317	698
Jul	27.55	+0.22	27.58	27.26	3,330	250
Total					72,625	7,731

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	193.3	+1.0	193.5	191.4	2,968	611
Dec	196.7	+2.3	197.0	194.4	47,132	5,781
Jan	197.0	+2.3	198.0	195.7	11,601	960
Mar	199.4	+2.5	199.7	197.4	8,295	880
May	200.2	+2.7	200.5	198.2	4,910	585
Jul	202.2	+2.4	202.5	200.5	3,458	270
Total					78,703	8,347

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	200.0	-	-	-	3	-
Mar	280.0	-	-	-	-	-
Apr	273.0	-8.5	275.0	271.0	1,294	49
May	327.5	-	-	-	0	-
Jun	360.5	-	-	-	-	-
Total					1,303	49

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	1720	+4	1725	1710	628	43
Nov	1685	+5	1685	1660	596	77
Dec	1673	-2	1675	1650	83	22
Jan	1665	+20	1665	1630	1,139	44
Apr	1650	+20	1650	1610	688	21
Jul	1500	+50	1500	1500	175	1
Total					3,499	298

	Close	Prev
BFI	1794	1828

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	887	-6	897	887	26,126	747
Mar	916	-6	926	915	31,786	1,126
May	934	-5	943	934	14,631	322
Jul	951	-8	955	951	4,192	56
Sep	968	-5	979	968	19,318	178
Dec	987	-6	992	987	5,773	61
Total					107,757	2,835

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1251	-19	1270	1245	28,931	1,062
Mar	1287	-18	1305	1285	19,893	210
May	1311	-15	1324	1310	8,150	145
Jul	1331	-18	1341	1333	3,532	-
Sep	1352	-18	1369	1353	5,973	156
Dec	1382	-18	1398	1386	5,898	22
Total					72,378	1,701

■ COCOA (ICCO) (SDR's/tonne)

Oct 9	Price	Prev. day
Daily	917.48	919.28

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	2283	-11	2300	2242	11,661	1,799
Jan	2197	-2	2210	2154	8,827	1,242
Mar	2135	+2	2150	2091	3,977	735
May	2083	+2	2090	2040	2,262	268
Jul	2045	+2	2035	2017	351	60
Sep	2015	+2	2007	1990	96	64
Total					27,194	4,168

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	117.80	+3.75	118.70	111.50	17,079	5,742
Mar	115.50	+4.05	116.25	109.50	9,045	1,150
May	114.95	+3.95	115.50	110.00	2,396	224
Jul	115.50	+3.75	115.50	110.00	395	67
Sep	115.25	+4.75	110.00	110.00	275	4
Dec	115.25	+3.25	111.00	111.00	59	2
Total					29,244	7,189

■ COFFEE (ICO) (US cents/pound)

Oct 9	Price	Prev. day
Comp. daily	115.15	118.79
15 day average	117.96	118.53

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	11.95	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	340.1	+1.3	341.5	338.0	10,008	1,001
Mar	319.9	+0.9	323.0	318.0	11,110	682
May	315.7	+1.3	319.2	315.0	3,174	361
Aug	313.2	+1.1	316.2	312.2	1,698	305
Oct	287.0	+1.8	290.0	287.0	1,937	83
Dec	284.5	+2.0	285.6	285.6	638	4
Total					28,699	2,443

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.43	-0.10	10.61	10.37	60,464	3,785
May	10.40	-0.11	10.55	10.34	18,165	457
Jul	10.36	-0.11	10.49	10.31	12,354	04
Oct	10.30	-0.12	10.45	10.30	13,182	83
Mar	10.28	-0.12	10.40	10.40	5,611	69
Total					109,799	4,488

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	86.68	-1.46	88.00	86.55	31,820	4,919
Mar	87.52	-1.35	88.80	87.40	18,115	1,535
May	88.40	-0.98	89.25	88.00	6,932	132
Jul	88.65	-0.80	89.40	88.30	5,251	62
Oct	80.15	+0.05	80.00	80.00	1,325	29
Dec	76.28	-0.12	76.50	76.25	5,544	71
Total					67,990	7,085

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	115.25	-1.65	117.10	114.90	10,456	2,679
Jan	118.85	-1.10	118.25	116.80	7,364	3,305
Mar	119.50	-0.50	120.50	119.25	2,135	345
May	121.75	-	122.25	122.00	1,124	110
Jul	124.10	+0.65	124.25	123.45	447	19
Sep	126.10	+1.10	125.25	125.25	288	20
Total					22,084	6,498

Minor Metals
European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 3,700-4,000 (4,000-4,450). Bismuth: min. 99.99%, tonne lots 4.00-4.10 (3.95-4.10). Cadmium: min. 99.95%, 205-210 cents a pound. Cobalt: MB free market, 99.8%, 29.30-29.80 (29.25-29.75); 99.3%, 29.00-26.50 (26.00-26.40). Mercury: min. 99.99%, $ per 76 lb flask, 145-165. Molybdenum: drummed molybdic oxide, 4.45-4.60 (4.35-4.65). Selenium: min 99.5%, 3.80-4.50. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 62-70. Vanadium: min. 98%, cif, 2.95-3.05. Uranium: Nuexco exchange value, 9.50 (9.00).

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 10	Oct 9	month ago	year ago
2077.6	2081.6	2140.9	2038.5

■ CRB Futures (Base: 1967=100)

Oct 9	Oct 6	month ago	year ago
239.59	238.50	N/A	..

■ GSCI Spot (Base: 1970=100)

Oct 9	Oct 6	month ago	year ago
N/A	178.44	N/A	N/A

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	65.575	+0.950	65.600	65.100	9,475	3,520
Dec	67.575	+0.725	67.600	67.200	26,194	3,435
Feb	66.425	+0.350	66.500	66.275	13,542	1,258
Apr	66.350	+0.100	66.550	66.225	7,337	340
Jun	62.500	+0.125	62.650	62.400	2,732	140
Aug	61.300	+0.125	61.400	61.300	955	3
Total					60,870	8,789

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	46.425	+0.250	46.450	45.850	5,741	2,464
Dec	46.325	+0.325	46.400	45.800	13,923	1,977
Feb	48.125	+0.175	48.225	47.800	7,004	519
Apr	47.450	+0.100	47.450	47.100	2,147	78
Jun	51.900	+0.200	51.900	51.500	2,539	40
Aug	50.250	+0.400	50.250	49.800	1,120	15
Total					32,214	5,100

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	58.850	+0.375	58.900	58.350	5,454	1,290
Mar	58.825	+0.275	58.875	58.400	461	55
May	59.600	+0.600	59.600	59.225	105	17
Jul	60.800	+0.400	60.650	60.000	445	15
Aug	58.350	+0.350	58.700	58.350	35	7
Total					6,501	1,377

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1650	80	122	49	70
1700	56	96	74	94
1750	36	75	104	122
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2750	109	108	64	101
2850	83	85	88	128
2850	62	67	108	159
■ COFFEE LCE	Nov	Jan	Nov	Jan
2050	234	229	1	91
2100	187	198	4	101
2150	142	170	9	123
■ COCOA LCE	Dec	Mar	Dec	Mar
875	34	69	13	28
900	22	55	22	39
925	14	43	35	52
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1550	36	50	2	31
1600	7	28	14	49
1650	-	10	57	62

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov)

		+or-
Dubai	$14.51-4.61w	-0.05
Brent Blend (dated)	$15.84-5.96	-0.06
Brent Blend (Nov)	$15.89-5.91	-0.02
W.T.I. (1pm est)	$17.22-7.24w	-0.03

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

		+or-
Premium Gasoline	$174-175	+2
Gas Oil	$149-150	+1
Heavy Fuel Oil	$84-86	+1
Naphtha	$150-151	-1.5
Jet fuel	$175-177	-1
Diesel	$151-152	-1

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

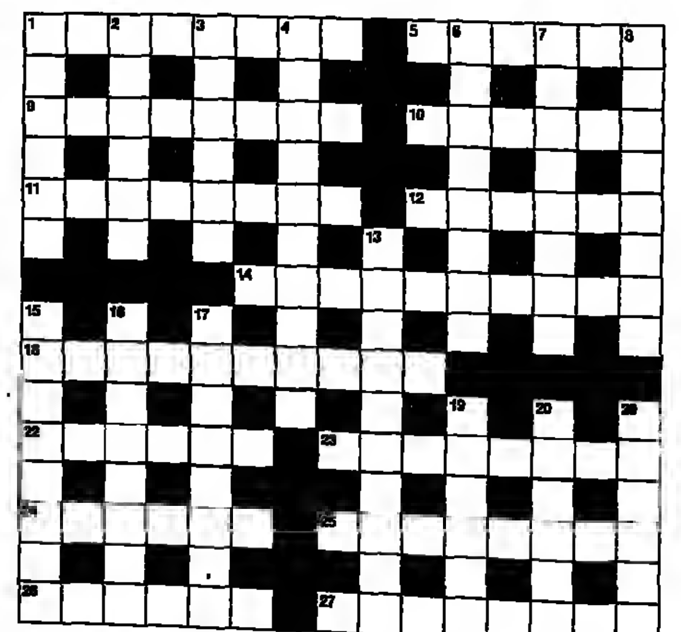
		+or-
Gold (per troy oz)♣	$385.20	+0.70
Silver (per troy oz)♣	545.5c	+4.0
Platinum (per troy oz.)	$417.50	+1.25
Palladium (per troy oz.)	$138.50	
Copper (US prod.)	Unq.	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.52m	-0.07
Tin (New York)	296.5c	
Cattle (live weight)†	125.99p	-0.64*
Sheep (live weight)†♣	100.60p	-2.19*
Pigs (live weight)†	100.93p	+1.88*
Lon. day sugar (raw)	$299.1	+3.9
Lon. day sugar (wte)	$383.2	+2.7
Barley (Eng. feed)	£114.50x	
Maize (US No3 Yellow)	£104.0w	
Wheat (US Dark North)	Unq.	
Rubber (Nov)♥	89.75p	-1.00
Rubber (Dec)♥	89.75p	-1.00
Rubber (KL RSS No1)	346.0m	-0.5
Coconut Oil (Phil)§	$725.0u	
Palm Oil (Malay.)§	$640.0	+5.0
Copra (Phil)§	470.0y	+3.0
Soyabeans (US)	187.0	+3
Cotton Outlook'A' index	92.10c	
Wooltops (64s Super)	465p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Nov/Dec. ♥ w Nov. y Oct/Nov. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♣ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,889 Set by GRIFFIN

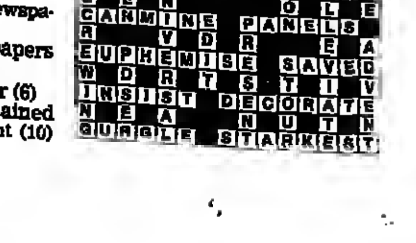


Ten clues contain no definition but the answers are all of a kind.

ACROSS
1 Girl in navy cord comes round (8)
5 You'll find where 1 live – look back (6)
9 Area of land in Gateshead (8)
10 Threadbare muff eventually ready for disposal (6)
11 Blew up jumbo during scrap (8)
12 Cutting third blue in Virgo screwed with force (6)
14 Bachelor takes home a spanner (10)
18 Local girls with dignitary (10)
22 Loading a food processor? (6)
23 Giant flies following rodent (8)
24 Fashionable hot drink that makes you gasp? (6)
25 Storage tower back entrance illuminated internally (8)
26 Merger ardently opposed by some (6)
27 Continues by first entering vessel (8)

DOWN
1 Was untruthful about newspaper being stolen (6)
2 Said feeble Sunday papers appear this (6)
3 Point under dancing bear (6)
4 Light carrier also contained kinky lace undergarment (10)
6 Ban on jockeys, many missing fences (8)
7 Around end of April send Roy off .... (8)
8 .... together with Elizabeth the nurse (8)
13 Article by the RAC – it goes into fuel (10)
15 Getting older engineers in is not refusing (8)
16 Cold girl felt upset first (8)
17 Cheat got about 550 different wines right (8)
19 Stops Lofty in two seconds (6)
20 Stones when seen outside an entrance (8)
21 If not a French the French quarter (6)

Solution 8,888



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INTERNATIONAL CAPITAL MARKETS

Falling share prices boost Treasuries

By Lisa Bransten in New York and Graham Bowley in London

US Treasury prices benefited from tumbling share prices in early trading yesterday as investors sought safety in shorter-term securities.

Near midday, the benchmark 30-year Treasury was $\frac{1}{32}$ higher at $106\frac{1}{32}$ to yield 6.45 per cent. At the short end of the maturity spectrum the two-year note gained $\frac{1}{16}$ to $100\frac{1}{32}$, yielding 5.70 per cent.

The move into Treasuries was relatively subdued but analysts were looking for more strength in the bond market if shares continued to tumble.

In late morning trading the Dow Jones Industrial Average was more than 54 points lower at 4,672.03, with the Nasdaq composite, which is weighted toward technology shares, down 19.42 points at 965.32.

Mr Richard Gilhooly, international bond strategist at Paribas Capital Markets in New York, said: "I think the situation as regards to stocks and the dollar is looking a bit precarious and bonds are looking relatively better."

GOVERNMENT BONDS

He expected gains at the short end of the maturity spectrum to lead to a steepening of the yield curve that maps the difference between two-year and 30-year bonds.

In early trading yesterday, the yield curve steepened by 6 basis points to 75 points from 69 basis points late on Friday. There was no trading on Monday due to the Columbus Day holiday.

The dollar was slightly higher in New York compared with its levels late on Monday, but lower than where it had been trading before the US market opened.

■ French government bonds held firm yesterday as traders consolidated their positions after the sharp falls in recent sessions caused by the decline of the French franc.

Ten-year bonds closed slightly higher with attention focused on the public sector strike which brought much of the country to a standstill.

Attention today will be on the Bundesbank's repo market operations, which could provide an opportunity to support the franc by allowing a further fall in the repo rate.

The 10-year yield spread over German bunds widened to 103 basis points but narrowed later to settle at around 100 points.

■ Other European bond markets remained locked in their recent bearish trend. They moved in narrow trading bands to end the day broadly flat, continuing to under-perform the US market.

German bunds' 10-year yield spread over US Treasuries widened to 43 from 41 basis points. Mr Kirit Shah of First Chicago, said that until the spread reaches 50 basis points, there is unlikely to be substantial interest in European markets.

Supply is the short-term concern currently preventing German government bonds from making substantial progress. The Bundesbank is due to auction up to DM15bn of 10-year bonds next week.

"The long end of the German market is limited by the onslaught of supply," said Ms Ros Lifton, an economist at Daiwa in London.

Short-dated German bonds reversed the recent rally staged on the back of weaker economic activity and speculation that the Bundesbank might cut interest rates.

■ UK government bonds ended slightly lower with traders keeping a close eye on the Conservative Party conference for policy hints and ahead of inflation figures due tomorrow, which are expected to show a rise in retail prices last month.

The minutes of last month's meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, the governor of the Bank of England, due to be published today, will be analysed for their views on whether the economic slowdown is only temporary and for clues on the contents of next month's budget.

BAT enlivens sterling sector with 25-year issue

By Conner Middelmann

BAT International Finance, the funding arm of the tobacco and financial services group, enlivened the sterling bond market yesterday with its long-awaited 25-year bond issue.

The issue – BAT's first in the sterling public bond market since 1984 – was for £300m

INTERNATIONAL BONDS

of bonds with a 9.25 per cent coupon, priced to yield 85 basis points over UK gilts.

Due to unsettled conditions in the sterling corporate and government bond markets, the issue, first rumoured in early September, had been kept on the back-burner.

"There were times when spreads [on secondary issues] were so volatile it would have been difficult to get a successful bond of this size into the market," said Mr Richard Desmond, BAT group treasurer. The strategy proved successful as the offer was quickly placed.

Joint book-runners BZW and HSBC Markets reported strong demand from UK institutions, especially insurance companies and pension funds with long-dated liabilities.

Elsewhere, BBV, the Spanish bank, issued $150m of 10-year, subordinated bonds. While Spanish banks have traditionally tended to raise subordinated debt via Yankee bonds or floating-rate notes, lead manager PaineWebber said it had identified a pocket of demand among European institutional investors.

Yielding 78.5 basis points over Treasuries, it compares favourably with other subordinated bank issues, including a $750m 10-year global offering expected from Abbey National, which dealers say could be priced at 60-65 basis points over Treasuries. Goldman Sachs and Lehman Brothers are expected to lead the deal.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
BBV International Finance	150	6.875	99.416R	Oct.2005	0.50R	-	PaineWebber Intl.(UK)
Spintab(a)‡	125	(a1)	100.00R	undated	1.00R	-	JP Morgan Securities
Ciba-Geigy Quimica(b)	50	8.675	100.00R	Oct.1997	0.625R	+295(5¾%-97)	Paribas Capital Markets
D-MARKS							
CFO	150	4.75	100.175R	Nov.1998	0.1875R	+12(5¼%-98)	CSFB-Effectenbank
STERLING							
BAT International Finance(c)	300	9.25	98.46R	Oct.2020	0.625R	+85(8¾%-17)	BZW/ HSBC Markets
LUXEMBOURG FRANCS							
Great Belt(f)	2bn	6.50	102.65	Dec.2001	1.875	-	BIL
GECC(f)	2bn	6.125	102.25	Dec.2000	1.75	-	Banque Paribas Luxembourg
ITALIAN LIRE							
European Investment Bank‡	650bn	(d,s)	100.10	Dec.1998	0.20	-	BCI/ BNL/ JPM/ San Paolo
DANISH KRONER							
Finance for Danish Industry	400	7.25	101.70	Nov.2000	1.875	-	Unibank
PESETAS							
Eurofima	20bn	10.68	100.00	Nov.2015	2.00	-	BBV/ Deutsche/ JP Morgan

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable on coupon dates from Oct.05 at par. a1) 3-mth Libor +100bp to Oct.05 and +250bp thereafter. b) Puttable if Ciba-Geigy stake falls below 51%. c) Spens call provision applies. d) 3-mth Libor -30bp. f) Long 1st coupon. s) Short 1st coupon.

Meanwhile, dealers are awaiting the Asian Development Bank's $750m issue of 10-year global bonds, expected as soon as this week. The bank hopes that its credit strength, based on its high return on assets, its high ratio of paid-in capital, its low gearing and its default-free lending history, will support the issue.

"We should be priced at least at World Bank levels, if not through them, ultimately, thanks to our credit story and our scarcity value," said Mr Peter Balon, the ADB assistant treasurer. The World Bank's most recent dollar global bond currently yields 24 basis points over Treasuries.

Mosenergo plans ADR private placement

By Antonia Sharpe

Mosenergo, the Moscow-based power and heat utility which produces about 10 per cent of Russia's electricity, is selling $14m to $21m worth of its shares to foreigners to fund an expansion of its network.

Salomon Brothers, which is arranging the international private placement under the US Securities and Exchange Commission's Rule 144a, said it was the first Russian placement in which US mutual funds were able to invest.

The lack of shareholder protection in Russia and inadequate custodial facilities have deterred foreigners from investing in Russian shares.

However, Mosenergo's placement, in the form of American Depositary Receipts (ADRs), includes a depositary agreement with Bank of New York designed to reduce the risk of shareholders being removed from the company's register.

Each ADR is made up of 30 Mosenergo shares which traded at R1,281 on the Moscow exchange yesterday. The company has a market capitalisation of $800m and is the sixth largest constituent of the Moscow Times index with a weighting of 5½ per cent.

Mosenergo is selling between 50m and 75m shares, about 3 to 4 per cent of its share capital, from its treasury stock. The shares will be priced tomorrow.

● Chase Manhattan has completed a $109m financing for the supply and construction of a gas compressor station for the Russian oil producer, OAO Tomskneft VNC, Reuter reports from Washington.

Chase is providing $69m, guaranteed by US ExImBank, and $21m is funded by Bank Hapoalim and guaranteed by the Israeli Foreign Trade Risks Corp.

CBOT to provide recyclables market

By Laurie Morse in Chicago

The Chicago Board of Trade and a coalition of government agencies and private environmental groups will launch the nation's first recyclables exchange on Tuesday.

The exchange, which will provide a centralised electronic marketplace for trading recovered glass, plastic and paper, is intended to standardise markets for these materials.

While a number of solid waste companies in the US deal actively in these materials, prices for recyclables are highly volatile.

"The Recyclables Exchange will provide a centralised bulletin board for recovered materials, adding liquidity to these fast-growing commodities and making buying and selling recyclables more competitive and efficient," said Mr Patrick Arbor, CBOT chairman.

The CBOT has made it a strategic goal to seek market solutions to environmental problems, and for three years has conducted the US Environmental Protection Agency's annual auction of air pollution permits.

The EPA is also a partner in the Recyclables Exchange, along with the National Recycling Coalition and the New York State Office of Recycling and Market Development.

As with other commodities traded on the CBOT, recyclables will have standardised delivery and inspection procedures. Traders will be allowed to subscribe to the system for an annual fee of $1,000, with no additional charge for posting offers to buy or sell, or for making trades.

While the Recyclables Exchange will deal in cash, or spot, transactions, the CBOT hopes that a viable nationwide market for recovered materials will develop, allowing it to design futures contracts to complement spot market trading.

Sepi expects stand-alone rating by early next year

By Antonia Sharpe

Sociedad Estatal de Participaciones Industriales (Sepi), the new Spanish state industrial holding company, expects a "stand-alone" credit rating by early next year.

Sepi was formed in August following a restructuring of state industrial holdings, with profitable companies going to Sepi and those requiring state support to Agencia Industrial del Estado.

Mr Hector Lopez, chief financial officer, said bonds issued by Instituto Nacional de Industria, Sepi's predecessor, will continue to have a state guarantee until they mature and their double-A/double-A2 ratings have been affirmed. However, bonds issued by Sepi from next year will not be guaranteed.

Mr Lopez said Sepi expected ratings from Moody's, Standard & Poor's and IBCA by early 1996. He said Sepi's high level of liquidity – it has $2.5bn worth of undrawn credit facilities – should help it achieve a rating of double-A minus.

Sepi, which inherited Pta600bn of debt from the reorganisation, intends to use dividends from its stock participations and tax credits to halve the debt by 1999.

Sepi holds a 21 per cent stake in Repsol, the oil and gas company, 51 per cent in the Ence pulp company, 66.9 per cent in Endesa, the electric utility, and 3.81 per cent in Gas Natural.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	93.1200	-0.320	8.55	8.58	9.00
Austria		6.875	06/05	99.2000	+0.030	6.98	6.90	7.01
Belgium		6.500	03/05	95.5900	-	7.15	7.03	7.21
Canada *		8.750	12/05	107.6500	-0.250	7.65	7.68	8.01
Denmark		7.000	12/04	93.8400	+0.160	7.97	7.85	8.02
France	BTAN	7.750	04/00	103.3750	-0.130	6.87	6.71	6.60
	OAT	7.750	10/05	101.1400	+0.225	7.58	7.44	7.37
Germany Bund		6.875	05/05	101.9800	-0.030	6.58	6.56	6.71
Ireland		8.250	10/04	97.5000	-0.050	8.27	8.17	8.33
Italy		10.500	04/05	93.6500	+0.280	11.62†	11.56	11.47
Japan	No 129	6.400	03/00	120.0210	+0.063	1.56	1.59	2.09
	No 174	4.600	09/04	113.6250	-	2.71	2.60	3.12
Netherlands		7.000	06/05	102.3000	-0.060	6.66	6.62	6.73
Portugal		11.875	02/05	103.0800	-0.050	11.30	11.20	11.28
Spain		10.000	02/05	94.1900	-0.050	10.98	10.83	11.07
Sweden		6.000	02/05	79.0790	+0.330	9.47	9.31	10.24
UK Gilts		8.000	12/00	101-23	-2/32	7.58	7.44	7.63
		8.500	12/05	102-13	-3/32	8.14	8.00	8.05
		9.000	10/08	105-29	-5/32	8.25	8.13	8.16
US Treasury *		6.500	08/05	103-07	+1/32	6.06	6.11	6.37
		6.875	08/25	106-00	+1/32	6.42	6.45	6.70
ECU (French Govt)		7.500	04/05	97.6800	+0.380	7.84	7.73	7.68

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.56	Two year	5.73
Prime rate	8¾	Two month	5.53	Three year	5.78
Broker loan rate	7½	Three month	5.43	Five year	5.87
Fed.funds	5¹³⁄₁₆	Six month	5.54	10-year	6.06
Fed.funds at intervention	-	One year	5.57	30-year	6.42

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	114.80	114.86	+0.22	115.00	114.56	118,849	100,628
Mar	114.30	114.42	-0.20	114.50	114.12	800	3,414
Jun	114.50	114.60	+0.20	114.50	114.50	2	1,418

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
114	1.14	1.56	1.82	0.28	0.66	1.41
115	0.56	1.01	1.33	0.64	1.08	1.85
116	0.17	0.56	0.90	-	-	-
117	0.04	0.25	0.58	-	-	-
118	-	0.10	0.35	-	-	-

Est. vol. total, Calls 20,227 Puts 20,483. Previous day's open int., Calls 133,564 Puts 148,583.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.61	95.81	+0.01	95.79	95.42	111063	181171
Mar	95.15	95.02	+0.01	95.16	95.00	217	4005

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
9550	0.48	0.77	0.67	0.99	0.35	0.66	1.15	1.47
9600	0.23	0.53	0.48	0.78	0.62	0.92	1.48	1.78
9650	0.10	0.35	0.34	0.81	0.98	1.24	1.82	2.09

Est. vol. total, Calls 11282 Puts 6382. Previous day's open int., Calls 195727 Puts 181577

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101.20	101.52	+0.40	101.82	101.20	31793	45452
Mar	-	101.17	+0.40	-	-	0	45

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
10150	1.44	2.42	1.42	2.75
10200	1.20	2.19	1.68	3.02
10250	0.98	1.98	1.97	3.31

Est. vol. total, Calls 2209 Puts 768. Previous day's open int., Calls 37293 Puts 41724

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	88.43	88.21	+0.04	88.53	88.03	43,841	29,771
Mar	-	88.35	-	-	-	-	3

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	105-10	105-06	-0-04	105-15	104-30	47512	99060
Mar	-	104-21	-0-04	-	-	0	246

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
105	0-52	1-20	1-22	1-57	0-40	1-08	1-44	2-15
106	0-24	0-54	0-59	1-29	1-12	1-42	2-17	2-51
107	0-09	0-32	0-38	1-06	1-61	2-20	2-60	3-28

Est. vol. total, Calls 2134 Puts 870. Previous day's open int., Calls 34086 Puts 29253

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	85.78	86.08	+0.32	86.14	85.78	1,822	7,233

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	115-16	115-23	+0-05	115-26	115-14	454,394	348,914
Mar	115-05	115-12	+0-04	115-17	115-03	2,971	15,848
Jun	114-30	114-30	-	115-00	114-27	803	3,379

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	121.05	-	-	121.18	120.98	352	0
Mar	120.11	-	-	120.11	120.11	20	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Oct 10	Day's change %	Mon Oct 9	Accrued interest	xd adj. ytd		Low coupon yield Oct 10	Oct 9	Yr. ago	Medium coupon yield Oct 10	Oct 9	Yr. ago	High coupon yield Oct 10	Oct 9	Yr. ago
1 Up to 5 years (23)	121.19	-0.07	121.27	1.57	8.88	5 yrs	7.86	7.83	8.59	7.87	7.83	8.66	7.76	7.73	8.80
2 5-15 years (21)	144.22	-0.12	144.40	1.93	9.78	15 yrs	8.27	8.25	8.57	8.31	8.28	8.71	8.39	8.36	8.95
3 Over 15 years (9)	159.30	-0.20	159.62	2.71	8.84	20 yrs	8.31	8.29	8.54	8.35	8.33	8.71	8.42	8.39	8.83
4 Irredeemables (6)	181.85	-0.33	182.46	3.83	8.83	Irred.†	8.41	8.37	8.64						
5 All stocks (59)	140.09	-0.12	140.25	1.96	8.54										

Index-linked							Inflation 5% Oct 10	Oct 9	Yr. ago	Inflation 10% Oct 10	Oct 9	Yr. ago
6 Up to 5 years (1)	192.19	-0.10	192.39	-0.38	8.37	Up to 5 yrs	3.27	3.22	4.01	2.22	2.16	2.93
7 Over 5 years (11)	183.32	-0.28	183.84	0.99	4.00	Over 5 yrs	3.76	3.73	3.89	3.57	3.54	3.70
8 All stocks (12)	183.39	-0.28	183.91	0.95	4.10							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 10	Oct 9	Oct 6	Oct 5	Oct 4	Yr ago	High*	Low*
Govt. Secs. (UK)	92.78	92.94	93.11	93.34	93.44	90.88	95.51	90.22
Fixed Interest	111.04	111.44	111.55	111.76	111.74	107.60	114.68	106.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 9	Oct 6	Oct 5	Oct 4	Oct 3
Gilt Edged bargains	73.5	84.8	72.0	77.2	89.9
5-day average	79.5	79.7	79.7	83.0	90.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on October 10

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98⅛	98⅞		6.00
Abbey Natl Treasury 6½ 00	1000	98½	99¾		6.58
ABN Amro Bank 7¼ 05	1000	103⅞	104		6.84
African Dev Bk 7½ 23	500	101⅞	102⅛	+⅛	7.23
Alberta Province 7⅝ 98	1000	104⅛	104⅝	+⅛	6.02
Sweden 8 97	2500	106½	106⅝		4.63
United Kingdom 7¼ 97	5500	105⅛	105⅛		4.45
Volkswagen Intl Fin 7 03	1000	101⅛	101⅜		6.80
World Bank 0 15	2000	25⅞	26	+⅛	6.92
World Bank 5⅞ 03	3000	95¼	95⅞		6.57
Abbey Natl Treasury 8 00 £	1000	97¼	97¾	-¼	8.52
Alliance Leics 11⅜ 97 £	100	108	108¼	+⅛	7.15
British Land 8⅞ 23 £	150	90½	91	+⅛	10.12
Denmark 6¾ 98 £	800	98¼	98⅝	-⅛	7.49
EIB 8 03 £	1000	98¼	98⅝	-⅛	8.30

[illegible]

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UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

• 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

CURRENCIES AND MONEY

MARKETS REPORT

Mexican peso faces renewed selling pressure

By Philip Gawith

The Mexican peso was in the wars again yesterday as the combination of political and economic worries continued to undermine faith in the country's future.

The peso continued the slide seen in recent weeks which has taken it down to around 6.75 pesos against the dollar from 6.8 pesos less than a month ago. Sentiment in the short term has been depressed by the the government's difficulties in marketing its debt, but this comes against a backdrop of uncertainty about the country's political and economic fundamentals.

Comforting words from President Clinton, who said the Mexican economy had "turned the corner", and President Zedillo, who said the foundations for a sound recovery in 1996 had been established, had little effect.

Mr Miguel Mancera, governor of the central bank, ruled out peso intervention, saying that there was no economic or monetary reason for the fall.

Elsewhere it was a fairly quiet day on the exchanges. Japanese markets were closed, while the flood of striking French workers onto the streets of Paris successfully diverted attention away from the franc. Following the turbulent trade seen on Monday and Friday, it traded steadily all day to close in London at FFr3.506, from FFr3.512 against the D-Mark.

The dollar traded in a fairly narrow range to close at Y100.55 and DM1.4176 from Y100.3 and DM1.4119.

Sterling had a fairly uneventful day, finishing at DM2.2364, from DM2.2375, against the D-Mark, and $1.5776 from $1.5848 against the dollar.

■ Pound in New York

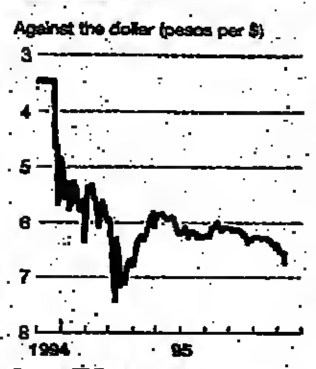
Oct 10	---Latest---	-- Prev. close --
£ spot	1.5780	1.5860
1 mth	1.5768	1.5847
3 mth	1.5747	1.5825
1 yr	1.5635	1.5720

■ An uneasy calm prevailed in the markets yesterday. The French appeared to have done enough, for the time being to head off a currency crisis, while the combination of the Japanese holiday and the ongoing IMF meeting in Washington was enough to keep the dollar on the sidelines.

Few, however, would be ready to believe that the market has done anything more than pause for breath on these two fronts.

The claim by Mr Jacques Chirac, France's president, that he was "convinced" France would qualify for Emu will certainly have been treated with some scepticism.

Mr David Abramson, strategist at the Bank Credit Analyst Research Group in Montreal, said the recent pressures on the franc appeared to be part of a wider picture of excessively tight monetary policy in Europe. "Europe does need to ease a reasonable amount now, but it may have to be forced by the currency markets."



Source: FT Extel

He added: "What all the French markets are telling you is that the franc has to go down. Speculators have realised that the combination of tight fiscal and monetary policy is unsustainable."

Mr Abramson said the franc had so far been rescued by the combination of falling unemployment, which deflected the spotlight away from the government's policy of fiscal retrenchment, and the downward trend in German interest rates. He predicted that if either of these props was removed, and BCA believes unemployment is set to start rising again, the Franc would come under renewed pressure.

Mr Brian Martin, economist at Barclays in London, said the renewed strength of the D-Mark could hasten a fall in German interest rates. He said that the impact of the stronger trade-weighted D-Mark in the first quarter might only become apparent when the third and fourth quarter GDP figures were released.

■ The fourth quarter Chief Dealer survey by the industry newsletter, *Foreign Exchange Letter*, found that almost 70 per cent of the 60 respondents believe the dollar will not fall further. A significant minority, 30 per cent, see it falling below Y98, but 48 per cent believe it will trade above Y105 in the next three months. The previous quarter only 31 per cent of respondents predicted the dollar trading above Y90.

One currency which the market appears to hold a very gloomy view on is the lira. Only 5 per cent of respondents saw it breaking below L1,050 against the D-Mark, the level assumed necessary for re-entry into the European exchange rate mechanism, while 38 per cent believe it would fall through L1,180.

■ The Bank of England cleared a £650m daily money market shortage. Three month LIBOR traded at 6¾ per cent.

■ OTHER CURRENCIES

Oct 10	£	$
Czech Rp	41.4362 - 41.4798	26.2720 - 26.2880
Hungary	206.829 - 206.800	131.019 - 131.080
Iran	4733.70 - 4731.80	3000.00 - 3000.00
Kuwait	0.4728 - 0.4738	0.2998 - 0.3003
Poland	3.8452 - 3.8517	2.4380 - 2.4419
Russia	7007.39 - 7008.98	4498.00 - 4501.00
U.A.E.	5.7923 - 5.7958	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Oct 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7373	-0.0079	288 - 457	15.8233	15.7209	15.7089	2.3	15.6483	2.8	-	-	107.2
Belgium	(BFr)	46.0385	-0.0278	148 - 621	46.3020	45.9890	45.9435	2.5	45.7535	2.5	45.0185	2.2	109.8
Denmark	(DKr)	8.6915	-0.0152	872 - 958	8.7471	8.6817	8.6838	1.1	8.6673	1.1	8.6048	1.0	110.4
Finland	(FM)	6.7938	+0.017	864 - 012	6.8100	6.7700	6.7894	0.8	5.7813	0.7	-	-	87.6
France	(FFr)	7.8396	-0.0188	355 - 437	7.8821	7.8318	7.8465	-1.1	7.8521	-0.6	7.8487	-0.1	109.0

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8925	0.47	0.88	1.06	0.34	0.38	0.44
8950	0.33	0.72	0.90	0.45	0.47	0.53
8975	0.23	0.58	0.75	0.60	0.58	0.63

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 12574 Puts 5949

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9325	0.20	0.38	0.47	0.10	0.24	0.42
9350	0.08	0.25	0.34	0.23	0.36	0.54
9375	0.02	0.14	0.24	0.42	0.50	0.69

Est. vol. total, Calls 16363 Puts 6632. Previous day's open int., Calls 135119 Puts 122429

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	*Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

LEGAL NOTICES

No. 005336 of 1995
In the High Court of Justice
Chancery Division

IN THE MATTER OF
UNICHEM PLC
AND
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN, that the Order of the High Court of Justice (Chancery Division) dated 4th October 1995 confirming the cancellation of the Share Premium Account of the above named Company in the sum of £62,068,537.13 was registered by the Registrar of Companies on 6th October 1995.

Dated this 11th day of October 1995

Rakisons,
27 Chancery Lane, London, WC2A 1NF
Solicitors for the above-named Company

COMPANY NOTICES

EXHIBIT A
Ward FSC, Ltd.

a Bermuda corporation, represents parties available to enter into leasing transactions, as lessor, with respect to US manufactured property to be used outside the US by Lufthansa Leasing GmbH & Co. Victor KG or Deutsche Lufthansa AG. If interested, please contact the Company at:

Ward FSC, Ltd,
c/o Codan Services Limited
Clarendon House
Church Street
Hamilton Bermuda

INTERNATIONAL PROPERTY

PERSONAL

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Baring Rec Cm 2nd Prf.		50½	—	98	50¼	6.31	19.8	-
9¼pc Non-Cum Prf		4¼	—	118½	3	1.90	-	-
Cater Allen	♣♦	463	-1	525	418	157.0	7.5	7.3
Close Bros	♣♦	610xd	-2	*340½	218¾	372.3	3.5	♦
Gerrard & Nat	♣♦	449	—	499	395	218.6	6.3	14.5
Hambros	♣□	208	-5	223	180	388.4	4.5	52.4
7½pc Cv Pf		103½	—	116	94	133.3	9.1	-
Joseph (L)	♣♦	445	—	463	353	23.5	5.0	24.7
King & Shaxson	♣♦	135	-1	145	85	34.7	8.3	10.5
Rea Brothers	♣♦	46	—	87	45	22.4	2.7	10.4
Schroders	♣†♦□	1290xd	-45	*1478	906¼	1,947	1.4	10.4
N/V	†♦	1079xd	-45	*1180	829¼	473.8	1.0	15.3
Sieger & Fried	♣†♦□	107xd	-1	110	87	210.5	4.3	11.1
Union	♣♦□	106	-4	121	70	29.0	3.6	-
Wintrust	♣♦	280	—	295	200	25.1	4.8	16.9

BANKS, RETAIL

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£25¾	-¼	£28¾	£21½	7,843	4.8	0.9
ANZ A$	†	284	-5	280	198	3,888	5.3	7.0
Abbey National	♣†♦□	548xd	-6	565	413	7,233	4.4	11.0
Allied Irish IE	♣†□	318	—	320	250	2,195	4.6	9.2
Anglo Irish IE	□	91	—	91	48	229.9	7.3	12.3
Asahi Y	□	665	-5	897¼	632¼	15,442	0.7	-
Banco Biz Vz Pta	□	£19⅞	+1⅛	£20½	£14¾	4,939	4.2	6.0
Banco Sant Pta		£28¾	—	£27¼	£22¼	4,212	5.1	17.9
Bk Ireland IE	♦□	410	+3	610	265	1,949	3.9	8.2
Bank Scotland	♣†♦□	243½	+3	259½	181½	2,888	3.2	19.7
9¼pc Pf		113¾	-¼	129	109¼	113.2	10.6	-
New 8 1/4pc Pf		112½	-¾	118¼	108¾	112.5	10.3	-
9¼pc Pf		119½	-¼	125¾	112¼	119.5	10.2	-
Barclays	♣†♦□	725	-19	778	557½	11,723	3.0	9.9
Dai Ichi Kan Y	□	£11⅜	—	£13¾	£9⅝	35,605	0.5	-
Deutsche DM	♦□	£29⅞	-1⅛	*£32⅞	£27¾	14,265	2.5	-

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

The following Investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL, INTEGRATED

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED - Cont.

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

	Notes	Price £	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's
Bk Montreal		14⅝	+⅛	14⅝	10⅞	3,787	4.4
Bk Nova Scot		13⅞xd	+⅛	14⅛	10⅝	3,135	4.2
BC Gas	♥	716½p	+1½	718½p	580½p	-	4.0
BCE		21½	+⅛	21⅝	18⅛	6,683	6.0
Barrick Gold		16⅛	+⅛	17⅜	12⅝	5,888	0.5
Brascan	♥	1048p	+2½	1122p	763½p	884.3	4.7
Can Imp Bk		17⅛xd	+⅛	17⅜	14⅛	3,705	4.1
Can Pacific		10⅛	+⅛	11⅛	8⅜	3,248	1.5
4pc Deb		42		45½	41½	10.8	9.5
Dorfan	♥	156¼p	+½	165¼p	85p	-	8.5
Echo Bay	♥	683¼p	+1¼	730¼p	532¼p	740.2	0.7
Gulf Can	♥	284½p	+¼	329½p	163½p	484.3	-
Hawker Sid	♥	7⅞	+⅛	9⅜	5⅞	81.2	6.9
Hudson's Bay	♥	12⅜	+⅛	13⅛	10⅜	378.5	3.4
Imperial Oil	♥	22⅛	+⅛	24⅜	20⅛	4,286	3.9
Inco		20	+⅛	24½	15⅛	2,345	0.9
Nova Corp Alberta		489p	-7	571p	478p	1,486	3.1
Rio Algom	♥	12⅛	+⅛	13⅜	10⅛	541.2	2.3
Royal Bk Can		14⅛	+⅛	14⅞	11⅜	4,516	3.6
Toronto-Dom		11¼xd	+⅛	11⅜	8⅛	3,388	3.7
Trans Can Pipe	♥	8⅜	+½	9	7⅛	1,576	4.6

SOUTH AFRICANS

	Notes	Price	+ or -	1995 High	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31⅛		£34	£29	2,109	2.6	ϕ
Barlow	♣	£7¼		£7¼	£4⅛	1,449	1.3	26.6
Gold Flds Prop R		142xa		152	116	14.5	7.3	6.5
NK Props.		88		95	85	3.46	13.5	-
SASOL	♥	514		649	435	3,009	2.6	-
SA Brews		£19⅞		£20	£12⅞	3,670	1.7	ϕ
Standard Bank	□	£21⅛	+⅞	£23⅛	£20⅛	2,583	2.1	15.3
Tiger Oats		975	+60	975	700	1,486	1.5	23.6
Tongaat-Hulett	†h	783		835	636	713.3	1.8	23.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT *Extel*, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the *Stock Exchange Automated Quotation system (SEAQ)* and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
O Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invest Mgmt Ltd

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Edward & Neville Fd Mangt (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hendersons Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Freres Asset Management (CI) Ltd

Lloyds Bank Money Market Fund Ltd

M & G (Guernsey) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

GUERNSEY (REGULATED)(**)

ABZ Magnet Co (Guernsey) Ltd

Apollo Investment Management

Arab Bank Fund Managers (Guernsey) Ltd

Barings Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Captives Inv Mngt

Guernsey Capital Management Ltd

Hambros Fund Managers (CI) Ltd

Kleinwort Benson Intl Fd Mgrs Ltd

Lazard Fund Managers (CI) Ltd

Lazard Freres Asset Management (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Royal Bank of Canada Intl Money Market Fd

Schroder Investment Mngt (Guernsey) Ltd

Stalwart Capital Mngrs (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Bank of Cyprus Group

Christows Investments Plc

The Fiduciary Trust Global Fund Plc

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Apollo Fund Plc

Argosy European Hedge Fund plc

Asia Small Cos Growth Fund

Asia Dynamic Growth Fund Plc

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Asian Growth Fund Plc

Asset Korea Fund

Atlantis Korean Smaller Companies Plc

BT Fund Managers (Ireland) Ltd

BZW Investment Management Ireland Ltd

Bank of Ireland Unit Managers Ltd

Baring International Fd Mgrs (Ireland) Ltd

Berkeley Korea Fund Plc

CPF Interest Rate Arbitrage Fund Plc

Capital Vision Fund Plc

Citicorp Investment Fund (Ireland)

Citizens Investment Trust Mngt Company

Daiwa Europe Fund Managers Ireland Ltd

Dynamic Pacific Portfolio Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.I. Investment Trust Ltd

Falcon Market Fund Plc

Frankfurter Investment Fonds

GIT Fund Management (Ireland) Ltd

Gordon House Asset Management Ltd

Hambros Fund Managers (Ireland) Ltd

Kim Europe Worldwide Fund

Kleinwort Benson Bond Arbitrage Fund Plc

Korea Golden Dynasty Fund Plc

Korea Investment Management Ireland Ltd

Korea Open Fund

Korea Strategic Growth Fund

Korea Emerging Growth Fund

Korean Preferred Share Fund

Lloyds Bank Fund Managers Ltd

Lloyds Bank Fund Managers (Ireland) Ltd

Merrill Lynch (Ireland)

Mercury Fund Managers Intl Ltd

New Silk Road Fund

Old Mutual International Fd Mngrs (Ireland) Ltd

Pacific 21st Century Fund

Pacific Growth Fund Ltd

PaineWebber Offshore Funds Plc

Prolific International Fund Plc

Scottish Value Management (Ireland) Ltd

Singer & Friedlander Inv Funds Ltd

Swiss Life Investment Fund - Proteus

Valeo Express Fund Plc

Yellow Sea Investment Fund

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

AXA Equity & Law Intl Fund Mngrs

Bank of Ireland Asset Mngt (IOM) Ltd

City Financial Admin (IoM) Ltd

RWB Fund Managers Ltd

Sydrola International Fund Management Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Managers Intl Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd

Lloyds Bank (CI) U/T Mgrs

Midland Bank Fund Managers (Jersey) Ltd

Royal Bank of Canada (Jsy) Fd Mgt Ltd

Royal Bank of Scotland Fd Mngrs (Jersey) Ltd

Standard Bank Fund Mngt (Jersey) Ltd

TSB Fund Managers (CI) Ltd

INVESCO International Limited

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Leopold Joseph Financial Services Ltd

Mercury Asset Mngt Channel Islands Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Perpetual UT Mngrs (Jersey) Ltd

The Portland Fund Limited

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroders (CI) Ltd

Scrimgeour Kemp-Gee Mngmt. Jersey

Worldinvest (Managers) Jersey Ltd

JERSEY (REGULATED)(**)

Barclays Intl Funds

Fleming Group

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (x)

Dolphin Intl Investments (x) SICAV

Fidelity Funds

Fleming Group (x)

Gartmore Fund Managers Luxembourg SA (x)

Govett & Colonial Emerging Markets Ltd (x)

HSBC Investment Funds Luxembourg SA (x)

Jupiter Tyndall Global Fund

Barclays Inv Funds (Luxembourg)

Mercury Asset Management S.A. - Contd.

Midland Intl Growth Fund SICAV(x)

Nikko Capital Management

PRICOA World Fund

S-E-Banken Luxembourg SA

Schroder International Selection Fd

Scottish Equitable Intl Fund SICAV (x)

Sun Life Global Management Ltd (x)

Templeton Global Strategy Funds

Thornton Investment Management Ltd

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (x)

Alliance Capital

Americas Fund SICAV

Banque Paribas Luxembourg

Banque Ferrier Lullin (Lux) SA

Banque Pictet (Luxembourg) SA

CB Fund International (a)

Cinq Fonds Mgrs Intl Fd Share (x)

Daewoo Korea Emerging Growth Fund

Credit Investment Fund

هكذا من الأصل

FT MANAGED FUNDS SERVICE

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	Selling Price	Buying Price	+ or -	Yield Gross
Wellington Fd Mngrs (Bermuda) Ltd				
Intnl Growth Fd	$15.72	16.80	-0.08	-
Wells Fargo U.S. IT Fund				
Worldwide Limited				
NAV Sep 29	$72.46		—	-
Xiphias International Investment Fd Ltd				
Zenett Lombardier Ltd				
NAV Sep 1	$109.37		—	-
Zweig-DiMenna International Limited				
NAV Sep 29	$13071		—	-

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monetaire Luxembourgeois.
Exit charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(*) - 0001 to 1100 hours
(**) - 1101 to 1400 hours
(***) - 1401 to 1700 hours
(****) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
h - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
ΔΔ - Guernsey gross.
◆ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
■ - Only available to charitable bodies
ф - Yield column shows annualised rates of NAV increase.

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE registers heaviest one-day fall since June

By Steve Thompson,
UK Stock Market Editor

The UK equity market suffered its biggest one-day fall for almost four months in the wake of another heavy sell-off on Wall Street, which continued to plummet in the wake of profit warnings from two of the recent high fliers among technology stocks.

When the dust had settled, after a tension-filled trading session, the FT-SE 100 index was left with a fall of 50.2 at 3,460.1, a tumble of almost 1.5 per cent and its lowest level since August 15. The market slide was the biggest since Mr John Major, the Prime Minister, was challenged by Mr John Redwood for the leadership of the Conservative Party at the end of June.

Market presssure was not confined to the leaders. The FT-SE Mid 250 index retreated 49.9, or 1.4 per cent, to 3,903.2, its lowest level since August 18.

Over the last three trading sessions, the FT-SE 100 has fallen 84.3, or 2.4 per cent, and the FT-SE Mid 250 88.1, or 2.2 per cent, as the market reacted violently to fears that Wall Street was heading for a substantial setback and also to worries about another bout of turbulence in international currency markets.

The London market was always on the back foot yesterday, opening around seven points lower in the wake of the 42-point slide in the Dow Jones Industrial Average after the profits warning from Novell, the US software company. Dealers in London were also on the defensive after similar news from Motorola, one of the big mobile telephone manufacturers in the US.

With global electronics analysts noting the Motorola news and warning of the potential impact of the news on big European electronics groups such as Nokia, Philips, Ericsson and Vodafone, and alerting institutions to the possibility of more earnings setbacks as the US quarterly reporting season continues, the market became increasingly nervous.

Eventually the market cracked over lunchtime. The FT-SE 100 dropped from just below 3,500 to a session low of 3,442.5 shortly after Wall Street opened for business, with the Dow Jones Industrial Average down around 50 points.

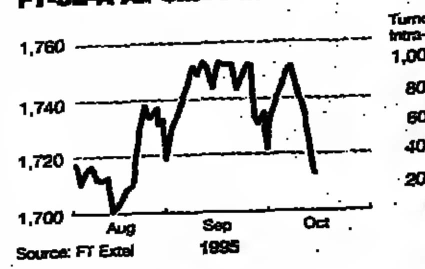
A subsequent rally helped the Dow recover to show a fall of 32 points an hour or so after London closed. The FT-SE 100 also attracted some "cheap buying" at the lower levels but marketmakers remained extremely nervous about the conviction behind the improvement.

"It got extremely nasty during the afternoon," said the head trader at one of the big integrated securities houses in London. He said that it was not clear how much of the fall in share price was down to marketmakers cutting their trading books or to genuine selling pressure. But he made it clear that there had been precious little client buying activity during the day.

"Marketmakers are stuffed with stock and 3,400 on the FT-SE 100 looks to be the next stop," he said.

Turnover reached a heavy 826.4m shares with less than half that amount transacted in non-FT-SE stocks. Trading between marketmakers was said to have accounted for much of the day's business. Customer business on Monday was worth £1.75bn.

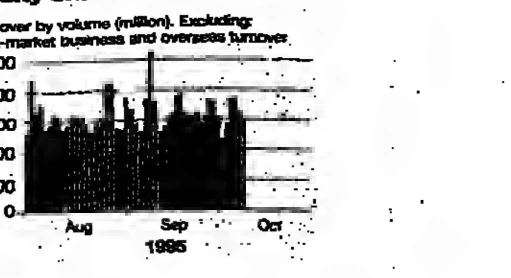
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3460.1	-50.2
FT-SE Mid 250	3903.2	-49.9
FT-SE-A 350	1730.1	-24.4
FT-SE-A All-Share	1711.85	-23.20
FT-SE-A All-Share yield	3.90	(3.84)
FT Ordinary index	2553.5	-42.7
FT-SE-A Non Fins p/e	16.66	(16.89)
FT-SE 100 Fut Dec	3457.0	-66.0
10 yr Gilt yield	8.14	(8.12)
Long gilt/equity yld ratio:	2.16	(2.18)

Best performing sectors

1. Tobacco ... +0.2
2. Other Serv. & Business ... -0.4
3. Health Care ... -0.6
4. Chemicals ... -0.7
5. Media ... -0.7

Worst performing sectors

1. Banks, Merchant ... -2.6
2. Gas Distribution ... -2.3
3. Distributors ... -2.2
4. Oil Exp. & Prod. ... -2.1
5. Bldg. Mats & Merchants ... -1.9

Pearson makes progress

Media conglomerate **Pearson** moved against the trend as analysts focused on the prospects for its controversial software unit.

Shares in the group, which owns the Financial Times, have been dogged by worries over Pearson's acquisition strategy. This followed the premium price paid for Software Toolworks, a video games cartridge and CD-Rom company renamed Mindscape.

Pearson paid £310m for the company in May 1994, but it produced disappointing profits and the price invited the scorn of media analysts. However, Sony has just launched its new Playstation games machine in the UK. Mindscape will be competing head-to-head with Sony and Nintendo in the run up to Christmas and big coverage in the trade press has focused attention on the games that will go into the system.

According to Henderson Crosthwaite, which recently produced a 900p a share break-up valuation for Pearson, Mindscape has 12.4 per cent of the world market in CD Rom publishing. Also, analysts are expected today to visit a Hong Kong broadcaster in which Pearson has a 10 per cent stake. Pearson shares, up 12 at one stage, closed 5 higher at 602p.

The banking sector dominated the short list of upbeat stocks yesterday. Standard Chartered and Royal Bank of Scotland (RBoS) raced ahead on takeover talk following Monday's news that Lloyds and TSB plan to merge.

Although Standard was the best Footsie performer with a rise of 20 to 486p, a number of banking analysts preferred RBoS as the next possible target in the sector. Mr Simon Samuels of Smith New Court said: "Royal remains one of the most compelling takeover stories in the sector." Mr Martin Hughes of Credit Lyonnais Laing said: "I can see value in Royal but not in Standard." RBoS shares gained 9 to 493p.

Meanwhile, the possibility of increased competition for the two high street leaders, NatWest and Barclays, hit their respective share prices. NatWest fell 24½ to 601½p with some concern growing that no further details have emerged about the sale of Bancorp, its US arm. Barclays shed 19 to 725p. Lloyds fell 6 to 720p and TSB 3 to 350p.

Vodafone slides

A big two-way pull developed in UK mobile phones leader Vodafone following a severe shakeout for the shares in the wake of the latest bout of jitters for US technology stocks.

Down 17 at one stage, the shares closed 6½ lower at 249p after turnover of 20m. This was the day's second highest volume and was complemented by a busy day in the traded options market.

Vodafone, in which US investors hold around 45 per cent of the shares, is exposed to the vagaries of high tech sentiment on Wall Street. But the latest sell-off does coincide with worries about competitive pressures.

Vodafone is said to be facing a severe test of nerve over the promotion campaigns being run by rival groups such as Orange and Cellnet in the run up to the all-important Christmas selling season.

However, the shares are now more than 12 per cent under the year's best and some brokers are claiming to spot good value.

Chemicals group BOC rose 3½ to 833p as Smith New Court recommended the stock after BOC's industrial gases division gave an upbeat presentation to analysts.

Smith New Court now believes it can produce 12 per cent compound growth until the end of the decade.

Food and soft drink group Cadbury Schweppes gave up some of Monday's gains that followed weekend press speculation about a bid for the group from Unilever. The former fell 13 to 514p, while the latter closed 4 down at 1248p.

United Biscuits relinquished 6 to 268p with both ABN Amro Hoare Govett and Kleinwort Benson said to have urged investors to sell the stock.

News that **Argyll Group's** Safeway supermarket chain is to extend its loyalty card nationwide heightened fears of stiffer competition among the big food retailers. The card is currently available in 144 of the group's 365 stores. The scheme will also offer savings on travel, entertainment, and healthcare.

One analyst said: "The Safeway move will mildly escalate competition but frankly most of us expected this move." Shares in the group followed the market lower ending 4¼ lower at 335p, after trade of 3.3m.

J Sainsbury also eased 4½ to 430p, while Tesco gave up 4 to 310½p, with turnover reaching 6.6m. A delayed trade in Asda Group contributed to the day's total volume of 16m. The shares closed 1½ down at 103½p.

WH Smith Group eased 3 to 359p as NatWest Securities became the latest broker in recent sessions to downgrade profit expectations.

The day's biggest decline among Footsie constituents was recorded in **Sears**. The shares relinquished 4½ to 104½p.

Lloyds Chemists came under pressure after analysts downgraded current-year profits estimates as the group reported full-year figures below expectations. The shares gave up 12 to 230p.

Airports group BAA remained a nervous market, retreating a further 9½ to 465½p for a decline of almost 7 per cent over the past seven trading days. Talk of a stock overhang continued to dog the shares and there were signs yesterday that more fundamental concerns could be emerging.

Some analysts suspect that the retail spend through BAA's range of duty free shops may be losing some of its earlier exuberance. September traffic figures, due out tomorrow, will supply some guide, but the main event is November 13 when the group unveils second-quarter results.

According to dealers, some of the more top-heavy estimates of BAA's full year earnings may come in for downgrades.

Monitoring systems group Trafficmaster tumbled more than 10 per cent following a big jump in six month losses. The shares closed 23 lower at 178p.

Among smaller engineers, motor industry specialist Airflow Streamlines came off 40 to 230p ahead of interim results next week. Scrap metal business Cohen (A.) surged 100p to 690p after announcing upbeat interim results.

Computer software group **Quality Software** jumped 79 to 705p following news of a £7.2m US takeover and a £14.7m rights, equal to some 25 per cent of the group's stock market capitalisation.

Merchant bank Schroders fell 45 to 1290p as a block of 270,000 shares in the tightly traded stock was crossed at 1270p.

Lloyds Abbey Life jumped 14 to 479p with Charterhouse Tilney arguing that should the merger with TSB go ahead, the new group could afford to pay around 550p a share for the 40 per cent stake it does not already own.

BAT Industries improved a penny to 533p with James Capel recommending the stock.

FINANCIAL TIMES EQUITY INDICES

	Oct 10	Oct 9	Oct 6	Oct 5	Oct 4	Yr ago	*High	*Low
Ordinary Share	2553.5	2596.2	2612.8	2625.4	2627.3	2357.8	2666.5	2238.3
Ord. div. yield	4.20	4.13	4.10	4.08	4.08	4.37	4.73	4.02
P/E ratio net	15.35	15.51	15.73	15.81	15.82	18.01	21.33	15.35
P/E ratio nil	15.17	15.43	15.54	15.62	15.63	18.48	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2592.7	2591.7	2587.8	2582.2	2577.4	2564.5	2552.5	2543.9	2548.5	2593.9	2542.5

	Oct 10	Oct 9	Oct 6	Oct 5	Oct 4	Yr ago
SEAQ bargains	33,214	33,133	28,058	28,244	27,769	23,970
Equity turnover (£m)†	-	1751.0	1563.6	1944.5	1931.1	1022.0
Equity bargains†	-	38,014	34,012	33,261	33,675	26,909
Shares traded (m)†	-	597.2	648.7	776.9	775.3	440.7

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	327	Total Highs	65	Total contracts	45,153
Total Falls	1,243	Total Lows	82	Calls	22,329
Same	1,331			Puts	22,824

Oct. 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3520.0	3457.0	-66.0	3527.0	3448.0	21651	65390
Mar	3486.0	3490.0	-66.0	3486.0	3486.0	50	2303
Jun	-	3494.0	-66.0	-	-	0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3950.0	3930.0	-50.0	3950.0	3950.0	25	3538

■ FT-SE 100 INDEX OPTION (LIFFE) (*3452) £10 per full index point

	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P
Oct	152	5½	102	9½	53½	20½	25	41	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	168	22½	127	32	92	47	64	70	40½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	189	35	153	48	121	66	90½	86	67	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	212	45			145	78			91½	[illegible]					[illegible]	[illegible]
Jun†	276½	98			212½	132			182	[illegible]						

Calls 8,181 Puts 11,217

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P
Oct	182	2½	116½	6½	73½	14	39	29	18	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	183	13½	141	21	103	32½	71	50	45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	213½	34	174½	44	137½	56½	103	71½	74½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar			230½	70½			163	100			[illegible]	[illegible]			[illegible]	[illegible]
Jun†			259½	98½			201	135½			[illegible]	[illegible]			[illegible]	[illegible]

Calls 2,921 Puts 2,570 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
50	F.P.	14.3	71	50	Consolidated Coal	65		-	-	-	-
-	F.P.	5.62	125	120	†Euro Sales Fin	125		-	-	-	-
-	F.P.	0.66	28	20	German Sml Wts	20	-2	-	-	-	-
-	F.P.	5.70	40	25	Hay & Robertson	38		-	-	-	-
65	F.P.	16.9	99	94	Mayflower	98		↓v0.67	2.6	1.0	50.2
45	F.P.	17.3	61	52	†MultiMedia	60	-1	-	-	-	-
-	F.P.	19.3	105	100	Murray Vct	105		-	-	-	-
-	F.P.	5.30	96	70	†Omnicare	96	-1	Hv1.5	4.0	2.2	14.3
-	F.P.	14.4	61	60	Pembertons	60		-	-	-	-
100	F.P.	30.6	104	99	Pictet British	102		-	-	-	-
400	F.P.	3.62	400	400	†Preston Nth End	400		-	-	-	-
125	F.P.	12.7	133	6½	†SCS Satellite	123		-	-	-	-
149	F.P.	49.4	185	168	Universal Salvage	184		Mv5.07	1.7	3.4	21.3
-	F.P.	-	½	½	Upton & Sthn Wts	½		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 9	% chg on day	Oct 6	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index†(34)	1957.56	+0.2	1953.87	2248.26	1.92	-	2304.73	1687.91
■ Regional Indices								
Africa (16)	2702.38	+0.5	2687.81	3547.06	4.02	24.86	3711.87	2428.19
Australasia (6)	2362.43	+0.9	2362.12	2793.52	2.14	26.10	2951.49	1788.20
North America (12)	1683.65	-0.1	1684.69	1783.07	0.80	48.29	1631.00	1348.18

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. PLEASE NOTE: Supporting data for The FT Gold Mines Index is provided by the Mining Journal Ltd. Latest prices were unavailable for this edition. Market closed 9/10/95, Canada.

FT-SE Actuaries Share Indices — The UK Series

	Oct 10	Day's chge%	Oct 9	Oct 6	Oct 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3460.1	-1.4	3510.3	3526.5	3544.4	3073.0	4.08	2.07	14.79	121.17	1370.86
FT-SE Mid 250	3903.2	-1.3	3953.1	3979.0	3991.3	3506.9	3.50	1.65	19.30	115.56	1516.04
FT-SE Mid 250 ex Inv Trusts	3928.2	-1.3	3978.5	4003.8	4018.1	3501.7	3.63	1.91	18.05	120.85	1527.62
FT-SE-A 350	1730.1	-1.4	1754.5	1763.4	1771.5	1540.7	3.95	2.03	15.62	58.45	1401.00
FT-SE-A 350 Higher Yield	1722.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350 Lower Yield	1742.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	1960.06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Trusts	1948.17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A ALL-SHARE	1711.85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

	Oct 10	Day's chge%	Oct 9	Oct 6	Oct 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	2883.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12 Extractive Industries(7)	4098.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15 Oil, Integrated(3)	2868.11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
16 Oil Exploration & Prod(13)	1870.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 GEN INDUSTRIALS(278)	1953.38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 Building & Construction(38)	812.65	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Building Matls & Merchs(31)	1691.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23 Chemicals(23)	2425.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24 Diversified Industrials(20)	1741.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Electronic & Elect Equip(36)	2150.33	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Engineering(69)	2156.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Engineering, Vehicles(13)	2622.37	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(27)	2850.55	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(21)	1583.34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(92)	3368.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Breweries(18)	2608.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Spirits, Wines & Ciders(10)	2862.27	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(24)	2495.76	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(11)	2548.34	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(17)	2014.39	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(11)	4439.60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(1)	4514.98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(226)	2132.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(30)	2694.25	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(29)	2424.36	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(43)	3268.93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(16)	2099.72	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(44)	1753.52	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Support Services(37)	1827.02	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(20)	2141.44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Other Services & Business(7)	1208.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(37)	2495.92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(15)	2723.00	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	1659.62	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(7)	2076.92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(13)	2129.98	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(658)	1826.21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(113)	2613.24	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(9)	3627.59	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant(6)	3516.50	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(25)	1289.54	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(6)	3001.15	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(22)	2336.31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(45)	1411.93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(134)	2894.09	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FT-SE-A ALL-SHARE(903)	1711.85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A Fledgling ex Inv Trusts	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

TENDER NOTICE

UK GOVERNMENT ECU TREASURY NOTES

For tender on 17 October 1995

1. The Bank of England announces the issue by Her Majesty's Treasury of ECU 250 million nominal of UK Government ECU Treasury Notes, for tender on a bid-yield basis on Tuesday, 17 October 1995. These notes will add to the ECU 1,000 million nominal, of the same security sold by tender on 17 January 1995, the ECU 500 million nominal sold by tender on 18 April 1995 and the ECU 250 million nominal sold by tender on 18 July 1995. An additional ECU 25 million nominal of Notes will be allotted directly to the Bank of England for the account of the Exchange Equalisation Account.

2. The ECU 250 million of Notes to be issued by tender will be dated as of 24 January 1995 and will mature on 27 January 1998.

3. Notes will bear an annual coupon of 8% payable on 27 January, starting on 27 January 1996. Payment for Notes allotted in the tender will be due on Friday, 20 October 1995; the amount payable will include 266 days accrued interest.

4. All tenders must be made on the printed application forms available on request from the Bank of England. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services (formerly Securities Office), Threadneedle Street, London not later than 10.30 a.m., London time, on 17 October 1995.

5. Each tender at each yield must be made on a separate application form for a minimum of ECU 500,000 nominal. Tenders above this minimum must be in multiples of ECU 100,000 nominal.

6. Tenders must be made on a yield basis (calculated on the basis of a month of 30 days and a year of 360 days) rounded to two decimal places. Each application form must state the yield bid and the amount tendered for.

7. Notification will be despatched on the day of the tender to applicants whose tenders have been accepted in whole or in part. For applicants who have requested credit of Notes in global form to their account with ESO, Euroclear or CEDEL, Notes will be credited in the relevant system against payment. For applicants who have requested definitive Notes, Notes will be available for collection at Customer Settlement Services, Bank of England after 1.30 p.m. on Friday, 20 October 1995, provided cleared funds have been credited to the Bank of England's ECU Treasury Notes Account No. 59045828 with Lloyds Bank Plc, Bank Relations, St George's House, PO Box 787, 6-8 Eastcheap, London EC3M 1LL. Definitive Notes will be available in amounts of ECU 1,000, ECU 10,000, ECU 100,000 and ECU 1,000,000 nominal.

8. Her Majesty's Treasury reserves the right to reject any or part of any tender.

9. The arrangements for the tender are set out in more detail in the Information Memorandum on the UK Government ECU Treasury Note programme issued by the Bank of England on behalf of Her Majesty's Treasury on 9 January 1992, and in supplements to the Information Memorandum. All tenders will be subject to the provisions of the Information Memorandum (as supplemented) and to the provisions of this notice.

10. The ECU 25 million of Notes to be allotted directly to the Bank of England for the account of the Exchange Equalisation Account will be dated as of 24 January 1995 and will be for maturity on 27 January 1998. These Notes will be added to the Bank's holdings of Notes which may be made available through sale and repurchase operations with the market makers listed in the Information Memorandum (as supplemented) in order to facilitate settlement.

11. Copies of the Information Memorandum (and supplements to it) may be obtained at the Bank of England. UK Government ECU Treasury Notes are issued under the National Loans Act 1968.

Bank of England
10 October 1995

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 10 / Sch)

BELGIUM/LUXEMBOURG (Oct 10 / Frs.)

CZECH REP (Oct 10 / Koruna)

DENMARK (Oct 10 / Kr)

FINLAND (Oct 10 / Mka)

FRANCE (Oct 10 / Frs.)

GERMANY (Oct 10 / Dm.)

GREECE (Oct 10 / Drachma)

ITALY (Oct 10 / Lire)

NETHERLANDS (Oct 10 / Fls.)

NORWAY (Oct 10 / Kroner)

POLAND (Oct 10 / Zloty)

PORTUGAL (Oct 10 / Escudo)

SPAIN (Oct 10 / Pts.)

SWEDEN (Oct 10 / Kronor)

SWITZERLAND (Oct 10 / Frs.)

TURKEY (Oct 10 / Tk Lira)

PACIFIC

JAPAN (Oct 9 / Yen)

AUSTRALIA (Oct 10 / Aus$)

HONG KONG (Oct 10 / H.K.$)

INDONESIA (Oct 10 / Rupiah)

MALAYSIA (Oct 10 / MYR)

NEW ZEALAND (Oct 10 / NZ $)

SINGAPORE (Oct 10 / S$)

SOUTH KOREA (Oct 10 / Won)

TAIWAN (Oct 9 / TW $)

THAILAND (Oct 10 / Baht)

AFRICA

SOUTH AFRICA (Oct 10 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 10 / Can $) 4 pm close

MONTREAL (Oct 10 / Can $) 4 pm close

INDICES

				High		Low	
India							
BSE Sens.♥(1979)	3557.80	3582.90	3598.37	3582.69	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	495.59	496.73	496.29	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2110.65	2132.24†	2132.79	2170.73	15/9	1813.59	23/1
Italy							
Banca Comm Ital (1972)	594.73	604.71	608.93	680.54	10/2	567.99	23/3
MIB General (2/1/95)	939.0	955.0	961.0	1076.00	10/2	929.00	23/3
Japan							
Nikkei 225 (16/5/49)	(c)	18178.21†	18506.28	19684.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	(c)	272.45	275.79	288.18	4/1	222.28	13/6
Thailand							
Bangkok SET (30/4/75)	1317.28	1321.34	1327.44	1472.04	10/7	1135.69	16/3
Turkey							
Istanbul Cmp.(Jan 1986)	44428.8	45421.8	45757.7	54853.99	21/4	24844.31	23/1
WORLD							
MS Capital Int (1/1/70)§	692.3*	698.0	702.0	703.80	29/9	596.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1377.54	1398.45	1401.61	1480.89	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1257.85	1271.22	1280.66	1316.68	15/9	1117.34	9/3
JCapelDrgns (31/12/88)	(u)	335.26	336.81	349.47	14/7	262.07	23/1
Barings Emerg.(7/1/92)	145.98	148.05	147.29	158.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Oct	1795.0	1787.0	-9.0	1809.0	1784.0	18,466	27,868
Nov	1805.0	1796.5	-9.0	1813.0	1790.0	83	2,770
DAX							
Dec	2184.0	2149.0	-28.0	2185.0	2130.0	26,373	83,219
Mar	2200.0	2164.0	-26.0	2200.0	2154.0	1,406	3,492
OMX							
Oct	1390.00	1363.50	-29.50	1397.00	1370.00	9,266	15,049
Nov	1399.50	1364.50	-41.50	1405.50	1383.00	480	1,460
SOFFEX							
Oct	3079.00	3062.0	-12.5	3091.9	3045.0	6,019	16,119
Nov	3080.0	3068.0	-12.0	3090.0	3056.0	51	489

** Sat Oct 7: Taiwan Weighted Price 5207.12; Korea Comp Ex 1009.40. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 10 - 2137.01 -20.40.

US INDICES

				High	Low	High	Low
NYSE Comp.	310.35	312.38	312.01	314.33 (20/9)	250.73 (3/1)	314.33 (20/9/95)	4.46 (25/4/42)
Amex Mkt Val	527.48	530.54	532.40	[illegible] (12/9)	433.12 (6/1)	[illegible] (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	984.74	1012.04	1014.20	1067.48 (13/9)	743.58 (3/1)	1067.48 (13/9/95)	54.87 (31/10/72)

RATIOS

	Oct 6	Sep 29	Sep 22	Year ago
Dow Jones Ind. Div. Yield	2.43	2.42	2.42	2.79
	Oct 4	Sep 27	Sep 20	Year ago
S & P Ind. Div. yield	2.08	2.07	2.05	2.43
S & P Ind. P/E ratio	17.87	17.94	18.14	20.33

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Micron Tech	9,497,100	66	-6¾
Motorola	7,139,200	69	+¼
Pacific Tels	4,092,700	30⅛	—
Telefonos	3,582,200	29½	-2
Gen Motors	3,358,900	44⅛	-1⅜
Scientific Atl	3,275,100	12⅛	-3⅛
IBM	3,005,100	92⅛	-2¼
Merck	2,826,000	55⅝	-¼
Global Marine	2,813,600	6⅛	-⅛
Texas Inst	2,790,000	70⅝	-4⅛

TRADING ACTIVITY

● Volume (million)	Oct 9	Oct 6	Oct 5
New York SE	278.386	313.635	369.922
Amex	13.287	16.515	18.216
NASDAQ	417.887	471.254	495.101
NYSE			
Issues Traded	2,995	3,008	3,021
Rises	617	1,185	1,171
Falls	1,631	985	1,100
Unchanged	747	838	750
New Highs	69	95	88
New Lows	60	46	43

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Dec	581.55	577.20	-4.55	581.56	575.50	62,513	186,749
Mar	581.40	581.80	-4.70	582.10	579.00	581	8,018
Nikkei 225 (Oct 9)							
Dec	18520.0	18310.0	-210.0	18530.0	18190.0	17,880	152,776
Mar	18320.0	18320.0	-180.0	18320.0	18320.0	2	4,362

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

								Sales	Stock	High	Low	Close	Chng
PacDun	3.20	—	3.58	2.25	7.0	—		18225	AlcoCl			16⅛	-⅛
PacMag	2.70	—	3.02	2.40	7.9	—		347850	Avenor	27½	-½	27¼	27
Pasminco	1.43	-.04	1.80	1.20	1.4	—		24455	BCSugA			7⅞	7¾
Pionin	3.37	—	3.98	2.90	5.0	14.0		18028	BC Tel			23⅝	23⅝
Plutec	8.85	-.02	6.95	4.70	0.0	—		131940	BCE			45½	45⅛
PosGld	2.43	-.05	3.10	1.85	2.1	—		25000	BCE Mb	41⅛	-¼	41⅛	41⅛
PublBr	4.07	-.02	4.35	3.19	3.4	—		9650	BGR A	13⅛	-⅛	13⅛	13⅛
QBE In	8.57	-.03	6.10	4.42	4.0	—		600	Bramalea			13⅛	13⅛
QCT Re	1.67	-.03	1.74	1.24	0.7	—		912780	BkMont	30½	+⅛	30⅛	29⅞
QNI	2.35	-.04	2.92	1.60	4.3	—		1900270	BkNovS	29½	+⅛	29⅝	29⅛
RenisGd	0.18	+.02	5.76	3.50	1.0	—		272076	BrckEd	34⅛	+⅛	34⅛	34⅛
Rothmn	4.80	—	5.75	4.29	—	—		12358	BeauEx	151	-2	153	151

TOKYO - MOST ACTIVE STOCKS: Monday, October 9, 1995

	Stocks Traded	Closing Prices	Change on day
Tosoh Corp	7.9m	488	+25
Hyogo Bank	7.5m	5	
Tokuyama	7.4m	745	+100
Nippon Steel	5.1m	352	-3
Fujitsu	4.9m	1260	+20
Sumitomo Chem	4.0m	482	+14
Mitsubishi Hvy	4.0m	798	-9
Sankyo Seiki	3.7m	740	+54
Sumitomo Prcsn	3.6m	1120	+10
Daiwa Bank	3.4m	682	-39

Prices supplied by Telekurs

Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close October 10

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
10	12 5/8	AAR	0.48	2.8	23	82	17 5/8	17 3/8	17 1/4	
46 1/4	38	AMP	0.92	2.5	19	10437	37 3/4	36	37 5/8	+1/4
60 1/4	53 3/8	AMR			16	3887	69 1/2	68	69 1/2	+1/8
47 7/8	41 1/2	ASA	1.71	4.1	37	381	42 1/4	41 3/4	42	-1/4
44 3/4	30 1/4	Abbott.	0.84	2.1	20	23435	43 7/8	40 1/8	40 1/4	-3 5/8
18 7/8	12	Abitibi Pr	0.40	2.3	28	3626	17 1/4	16 1/2	17 1/8	-1/8
27 7/8	21	ABM Ind	0.60	2.2	15	31	27 1/2	27 1/4	27 3/8	-1/4
17 1/2	15 1/2	Acptncein			11	446	15 1/2	15 1/8	15 1/2	
34 3/4	21 7/8	ACE Ltd x	0.56	1.6	8	935	34 1/8	33 7/8	34	
9 7/8	8 1/8	ACM Gvt In x	0.28	8.2	6	194	u9 7/8	9 3/4	9 3/4	
7 3/4	6 1/2	ACM GvOpp x	0.66	0.1		z128	7 1/4	7 1/4	7 1/4	
7 1/2	6 3/4	ACM Gvt Sp 4	0.76	10.7		232	7	6 7/8	7	+1/8
8 3/4	7 1/4	ACM Gvt Se x	8.90	10.3		706	u8 3/4	8 5/8	8 3/4	+3/8
9 1/2	7 7/8	ACM Man x	0.90	10.4		237	8 3/4	8 5/8	8 5/8	
29 1/4	10 1/4	AcmeClv	0.48	2.0	11	267	24 1/2	23 1/4	24	-1/2
38 3/4	0 1/4	Acme Elect			41	158	6 5/8	6 1/4	6 5/8	-1/2
34 1/2	33 3/4	Acrdia	0.72	2.9	12	16	25	24 5/8	25	+5/8
10 3/4	0 5/8	Actava	0.36	2.1	12	716	17	16 3/8	17	-3/8
16 3/4	10 1/8	Acuson			33	185	13	12 3/4	12 3/4	-1/4
18 3/4	15 5/8	Adams Expr	0.48	2.6	0	267	18 5/8	18 1/2	18 5/8	-1/8
38 7/8	25	AdvMic			71	7465	28 1/2	d24 5/8	25 3/4	-3/8
9 7/8	5	Advest Grp	0.10	1.8	16	166	6	5 3/4	5 7/8	-1/4
24 1/4	19 1/2	Advnc Inc	0.10	0.4	19	755	u24 1/4	23 3/4	24 1/4	+1/8
37 1/2	24.80	Aegon	1.88	3.4	26	41	u37 1/2	37 1/8	37 1/2	
5 7/8	3 3/8	Aerflx			9	571	4 3/4	4 3/8	4 3/4	
75 1/2	46 3/4	Aetna L	2.76	3.9	21	2128	71 1/4	70 5/8	70 7/8	-1/8
44 3/4	31 7/8	Aflac	0.52	1.3	12	1015	41	40 1/2	40 3/4	-1/4
26 1/4	18	Ahmnsn	0.88	3.4	15	5790	25 7/8	25 3/8	25 5/8	-5/8
59 1/2	43 7/8	AirPrC 4	1.04	2.0	16	1499	51 1/4	50	50 7/8	+1/8
25 5/8	18 3/8	Airbne Frt	0.30	1.3	21	584	23 3/8	22 1/4	23 3/8	+1/8
58	19 5/8	Alrgas Inc			23	1596	[illegible]	[illegible]	[illegible]	[illegible]
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4 pm close October 10

NYSE COMPOSITE PRICES

Continued from previous page

1995 High	1995 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30 3/8	24 1/4	SaraLee	0.68	2.3	10	6063	29 5/8	28 1/4	28 1/2	-1/8
55 5/8	38 5/8	SBC Cm	1.65	3.0	19	5621	u55 7/8	54 5/8	55 7/8	+1/8
24 1/2	20 1/2	Scana Corp	1.44	5.8	17	1636	u24 3/4	24 1/4	24 5/8	+1/8
18	14 1/2	Scecorp	1.00	3.0	11	10196	u18	17 1/2	17 7/8	+1/8
11 1/4	7	SchawkA	0.26	3.5	13	14	7 1/2	7 3/8	7 3/8	-1/4
58 1/4	37 1/4	SchererRP			23	1244	45 1/2	44 3/4	45	-5/8
54 3/8	35 1/2	SchrPl	1.16	2.2	19	11801	51 7/8	50 3/4	51 3/4	-3/8
69 5/8	50 1/8	Schlmb	1.50	2.3	28	3358	65 7/8	65	65 7/8	-1/4
20	11 1/4	Schwab(C)	0.18	0.7	28	6578	24 7/8	23 5/8	23 7/8	-1 5/8
24 7/8	12 5/8	SciAtl	0.06	0.5	16	40257	13 3/4	d11 7/8	13 1/8	+5/8
20	15 1/2	Scotsman x	0.10	0.6	10	157	16 1/4	16	16	-1/4
51 5/8	33 1/2	ScottP	0.40	0.8	17	7076	49 5/8	48 1/8	49 5/8	+1
35 3/4	26 7/8	Scripps	0.52	1.5	24	106	35 1/8	34 3/4	35 1/8	-1/8
21 1/2	14 3/8	ScuddrNAsF	0.02	0.1		120	15 1/8	14 3/4	14 7/8	-1/4
11 3/8	8 5/8	ScuddrNEsF	0.16	1.5		173	10 3/4	10 5/8	10 5/8	-3/8
20	13 5/8	SeaCnB	0.70	3.8	2	3	18 3/8	18 3/8	18 3/8	
16 1/4	14 5/8	SeaC1.4625	1.46	9.3		4	15 3/4	15 3/4	15 3/4	-1/4
49 3/8	23 5/8	S'gate			11	18886	40 1/8	38 5/8	38 3/4	+1/8
38 1/8	25 5/8	Seagrm	0.60	1.6	25	3762	36 1/2	36	36 1/2	
22 1/2	15 1/4	Seagull En			11	982	18 7/8	18	18 5/8	+1/4
28 1/4	18	Sealed Air			22	596	25 1/4	24 1/4	24 1/8	-1 1/8
37 5/8	30 3/8	SearsR	0.92	2.7	8	15406	34 5/8	33 3/4	34 1/2	-5/8
19 1/4	16 3/8	SecCapGBI	1.15	6.4	22	139	18	17 7/8	18	
12 3/8	10 5/8	Seligm Sel	0.84	0.8		58	12 1/8	11 7/8	15 1/8	+1/8
38 1/4	29 1/4	Sensormat	0.22	1.6	21	4537	22 1/4	20 1/2	22	-3/8
31 3/4	21 7/8	SequaA	0.68	2.3	8	9	26 5/8	26 3/8	26 3/8	-1/8
35 1/8	23	SequaB	0.50	1.5	17	17	32 1/2	32 1/2	32 1/2	
46	26 1/4	ServCp	0.44	1.1	24	2658	u40	39 1/8	40	+1/8
28 7/8	21 1/2	SvMaster	0.96	3.4	14	199	28 1/8	27 5/8	28 1/8	+1/8
7 7/8	4 1/8	ServMerch			11	1205	6	5 5/8	5 7/8	
57 1/2	22 1/2	SGSThm			51	937	43 1/4	40 3/4	42 7/8	-3/8

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NASDAQ NATIONAL MARKET

4 pm close October 10

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AMEX COMPOSITE PRICES

4 pm close October 10

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AMERICA

US equities stabilise after initial decline

Wall Street

Earnings jitters, especially in the technology sector, sent US prices tumbling for a second session early yesterday, but by early afternoon shares had recovered from their session lows and stabilised with smaller, bnt still sbarp declines, *writes Lisa Bransten in New York.*

The Dow Jones Industrial Average sank more than 66 points at the opening bell triggering controls that limit program trading within the first 10 minutes of the session. That was the earliest the controls, which were instituted in the wake of the 1987 crash, have ever been set off.

By 1 pm the Dow was off its lows for the session, but still below the 4,700-point level with a decline of 33.60 at 4,692.62. The Standard & Poor's 500 lost 4.55 to 573.81 and the American Stock Exchange composite was 5.55 lower at 521.93. NYSE volume came to 258m shares.

Leading tbe decline was Motorola, which fell nearly 12 per cent in early trading, after reporting third quarter earnings modestly below analysts expectations. By early afternoon, however, Motorola had stabilised with a decline of $5½ at $63½.

The Nasdaq Composite, whicb is weighted toward the technology sector, plummeted nearly 28 points at the start of trading before regaining its footing with a loss of 1.4 per cent, or 13.94, at 970.80. By early yesterday afternoon, the Nasdaq was off just over 9 per cent from the record high hit on September 13.

The Pacific stock exchange technology index gave up another 2.3 per cent on top of the 3.7 per cent it fell on Monday. In individual technology shares, IBM lost $2¼ at $90, Hewlett-Packard slipped $2¼ at $76 and Texas Instruments fell $1⅞ at $68¾.

Microsoft and Intel, the two largest companies on the Nasdaq, helped that index to recover as they moved well off their session lows. Just after 1 pm Microsoft was off $1 at $82¼, having fallen as far as $80⅞ and Intel was $⅛ lower at $60, after dropping as low as $54¼.

Canada

Toronto returned with sharp losses after the long holiday weekend, seeking to catch up witb the downbeat tone on Wall Street. The TSE-300 composite index was 43.20 lower by noon at 4,452.24 in weak turnover of 24.6m shares.

DMR picked up C$¼ to C$9¼ as IBM Canada entered the bidding for the group with a cash offer of C$11 for each outstanding B share. The bid exceeded Amdahl's C$8.25 a share offer and another of C$9 a share from BDM International of McLean, Virginia.

Sharp losses were seen in high tech shares. Softkey Software lost C$5⅞ to C$51⅞.

São Paulo falls 2%

São Paulo was off more than 2 per cent in light midday trading following the losses on Wall Street and in Mexico. The Bovespa index was down 911 at 43,656 at 1 pm. Turnover was low at R$126.3m ($131.8m).

Telebras preferred led tbe drop, falling by 2.7 per cent to R$41.65 by noon. Petrobras preferred were down 2.1 per cent at R$93.50 by noon.

MEXICO CITY fell sharply at mid-morning, hit by the peso's drop against the dollar. The IPC index was off 25.76, or 1.1 per cent, at 2,291.01. Volume was a low 18.3m shares. BUENOS AIRES opened sharply lower, and by midday the Merval index was off 7.37, or 1.7 per cent, to 4,341.00.

EUROPE

High tech stocks slide after Motorola warning

The Motorola effect cut the other way yesterday. European high tech stocks were marked down heavily after the US group underlined recent evidence that the fourth quarter of 1995 could be disappointing for the sector, *writes Our Markets Staff.*

In Finland, Nokia A slid FM20, or 7.4 per cent, to FM252, down 26 per cent from its year's high; this helped drop the Hex index by 98.73, or 4.8 per cent, to 1,978.53. In Sweden, Ericsson Bs lost SKr8, or 5.4 per cent, at SKr140, nearly 22 per cent off their 1995 best, and the Affärsvärlden General index fell 29.9, or 1.7 per cent, to 1,753.1.

At Paribas, the sector analyst, Mr Peter Roe, said that he had spoken to both Nokia and Ericsson last week, and that both European majors had been more sanguine than Motorola about product price prospects.

However, while Mr Roe liked long term prospects for the Nordic duo, he acknowledged a problem with short term sentiment. In Amsterdam, Philips dropped Fl 3.90 to Fl 67.60; Barco, in Brussels, by BFr115 to BFr3,335; and in Germany, the software group, SAP, by DM8 to DM214. "US investors have been big players here", said Mr Roe, "and they will listen very carefully to what is going on in their domestic market."

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Oct 10 Hourly changes	Open	11.30	12.00	12.30	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1393.83	1394.13	1393.49	1391.38	1391.44	1382.57	1374.29	1377.54
FT-SE Eurotrack 200	1509.96	1509.91	1506.66	1506.86	1504.80	1495.76	1490.07	1493.82

	Oct 9	Oct 6	Oct 5	Oct 4	Oct 3
FT-SE Eurotrack 100	1398.45	1401.61	1422.43	1422.98	1421.48
FT-SE Eurotrack 200	1517.79	1524.48	1541.57	1528.03	1526.81

Base 1000 (26/10/90); Highday: 100 - 1394.34; 200 - 1511.22 Lowday: 100 - 1374.29 200 - 1489.15 † Partial

FRANKFURT came back from an afternoon low of 2,119.42 to close with the Ibis-indicated Dax index 20.40 lower at 2,137.01. This time, concern about weakness in the dollar and other customer currencies came second to fears of a major melt-down in the US equity market, and its consequences for European equities.

Turnover climbed from DM4.8bn to DM6.9bn. At corporste level, SAP was only one of the market's worries. For example, Kaufhof dropped DM35.50, or 7.1 per cent, to DM463.10, and Asko by DM50, or 5.8 per cent, to DM810. The market seemed to be taking the view that both retailers, subsidiaries of the Swiss owned Metro and participants in a proposed merger with Metro's Cash & Carry unit, would lose on the deal.

There were only three Ibis winners, all of them in the automotive sector. Daimler rose DM2.10 to DM693.60, having confirmed its sale of several units in its AEG electronics subsidiary to GE of the US; Continental, the tyremaker, closed 21 pfg higher at DM20.50; and MAN pnt on DM5.05 at DM404 after the truckmaker and engineer said that it was confident of higher profits in 1995-96.

PARIS steadied itself in the prospect of a strike by public service workers and as the franc enjoyed some relief from the intense speculative pressures it had faced over the last week. The CAC-40 index dipped 7.75 to 1,777.96.

Brokers said that the lull was most likely to be temporary and that the short-term direction of the market would depend on how the government responded to the unions' call for higher wages.

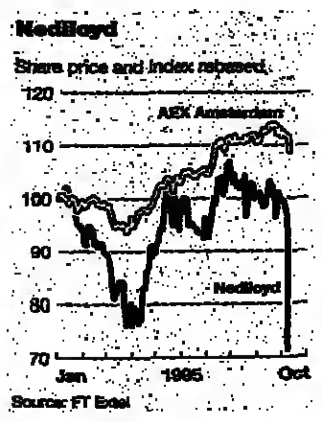
Suez gained FFr1.30 to FFr191.90 ahead of today's first half results, due after the close of business. Analysts expected the company to show a significant fall in net profits from the FFr797m of 1994, and that the property sector would continue to weigh on the company's performance.

MILAN saw another troubled day for Gemina as shares in the financial holding company tried three times to return to trade after Monday's suspension. But on each occasion the shares quickly sank by more than the limits set by the stock exchange authorities.

By the close, the shares were quoted down L81 or 10.9 per cent at L665. They had been suspended on Monday after weekend news that the police had raided the company's offices as part of an investigation into suspected false accounting.

Tha broad market encountered heavy selling pressure early in the day but stocks subsequently picked up from their lows. The Comit index lost 9.98 to 594.73 while the real-time Mibtel index finished 96 lower at 9,499, up from a low of 9,393.

ZURICH made a spirited effort to build on recent gains before the weak dollar and Wall Street's opening made a further advance unsustainable.



Source: FT Extel

The SMI index turned back from a day's peak of 3,096.6 to finish 13.1 weaker at 3,050.9.

Many analysts had indicated a consolidation. However, Miss Felicity Smith at ABN Amro Hoare Govett, noted that the bourse continued to be driven by the weight of funds flowing from domestic investors and foreigners, willing to overlook the continuing strength of the Swiss franc, who were opting for equities rather than bonds in response to the low interest rate environment.

Swiss Re, up 4.6 per cent on Monday after a Credit Suisse npgrade, gave up SFr6 to SFr1,230. Against the trend, Roche certificates held on to a SFr15 rise to close at SFr8,150.

AMSTERDAM took another hard look at Nedlloyd after a number of brokers issued sell notes and revised downwards their earnings estimates for 1995 and 1996 following the transport company's profits warning. The shares, which had lost 15 per cent on Monday, tumbled another 14 per cent or Fl 6.60 to Fl 40.00 after a session low of Fl 36.50.

Mr Andre Mulder, BZW's transport analyst in Amsterdam, said that be had cut his 1995 profit forecast from Fl 5 to Fl 3 per share, and 1996 from Fl 7.25 to Fl 3.50 per share. He said that the shipping division was to blame for the group's difficulties: there had been a slowdown in volume growth on the European and Far Eastern routes, while there had also been a problem in securing enough cargo fully to deploy the new ships in its fleet.

The AEX index dropped 3.84 to 454.62 as selling pressure was intensified by the fall in Philips. Fokker was another casualty, losing 50 cents, or 6.3 per cent, to Fl 7.40, as the aircraft manufacturer issned another warning about its financial situation.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Hong Kong and region reflect Wall Street's malaise

With Tokyo closed for a holiday tbe region's markets searched for direction elsewhere, and largely followed Wall Street's lead. Taipei was closed for tbe National Day boliday.

HONG KONG gave a wary response to Wall Street's overnight losses and the Hang Seng index skidded 132.52 or 1.3 per cent lower to 9,730.92. Turnover improved slightly, but it was still thin at HK$2.8bn.

Leading stocks were lower across the board. HSBC sank HK$1.50 to HK$109.50 and Hong Kong Telecom eased 20 cents to HK$13.85.

Cheung Kong lost 70 cents to HK$43 and China Light fell 70 to HK$40.30. Sun Hung Kai Properties fell 75 cents to HK$61.75.

KUALA LUMPUR was weak for the fourth consecutive session as investors continued to trim positions. The composite index ended 5.75 down at 970.75.

YTL bucked the day's trend on a report of a power plant joint venture, gaining 20 cents to M$13.50. Renong added to last week's losses, falling 4 cents to M$4.16 on continuing concerns over a huge project in southern Johor state.

Faber Gronp eased 5 cents to M$2.12 on uncertainty over whether next Monday's shareholder meeting will back the company's attempt to divest a 50 per cent stake in the highway toll operator, Plus.

SYDNEY was in a negative mood with both CRA and News Corp overshadowing the market. The All Ordinaries index lost 28.6 to 2,062.2, in volume of 198.2m shares valned at A$570.7m. Falling stocks outnumbered rising ones by 533 to 263, with 435 stocks steady.

News Corp had a turbulent day following the annual general meeting and forecasts of flat first quarter profits and higher news print costs. The stock fell 20 cents to A$6.76.

CRA fell 68 cents or 3.4 per cent to A$19.44 following the news that it was to merge its operations with RTZ, the world's largest mining company, which holds a 49 per cent stake in the Australian operation.

The gold index fell 20.8 to 1,800.7, with PosGold dropping 4 cents to A$2.70 and Great Central Mines shedding 8 cents to A$2.65.

SEOUL ran into profit-taking after five consecutive sessions of rises and the composite stock index closed down 4.09 to 1,004.20, off a high of 1,015.24.

LG Electronics fell Won500 to Won30,300 on profit-taking after its recent rise on rumours that its LG Semicon subsidiary was to be listed on the bourse at the end of the year.

BOMBAY was undermined by reports that high interest charges were squeezing corporate profit margins. The BSE index dropped by 25.10 to 3,557.80.

KARACHI and COLOMBO were both hit by renewed political violence, the former's KSE 100 index falling 13.68 to 1,604.72 on more killings in the city, and the latter's CSE All-Share by 6.72 to 638.47 after grenades killed four party aides at the home of a pro-government Tamil party leader.

MANILA finished at the 2,600 support level on worries about inflationary pressures. The composite index lost 11.04 or 0.4 per cent to 2,600.00.

Volume was light at 3.5bn shares valned at 886.4m pesos from the previous session's 10.04bn shares worth 1.3bn pesos.

SHANGHAI's domestic A share index edged ahead in active trading. Dongfang Electrical Machinery, the first A issue to be listed for three months, made a strong debut.

The index picked up 2.624 to 735.578 as the shares of Dongfang, which is also listed in Hong Kong, opened at Yn12.98 and surged to an intra-day high of Yn18.00, before edging back to close at Yn16.91. This compared with an issue price of only Yn4.10.

SOUTH AFRICA

Johannesburg was weak as the market took its lead from London and Wall Street in hesitant trade, on growing concern about forthcoming gold mine quarterly results.

The overall index lost 45.2 to 5,723.2, industrials gave np 49.8 at 7,222.0 and golds weakened 25.5 to 1,472.8.

Among the leaders, Anglos fell 375 cents to R209, De Beers lost 225 cents to R101 and SAB gave up 165 cents to R114.85.

Singapore steers a steady course

Kieran Cooke reports on a market awaiting a fresh inflow of funds

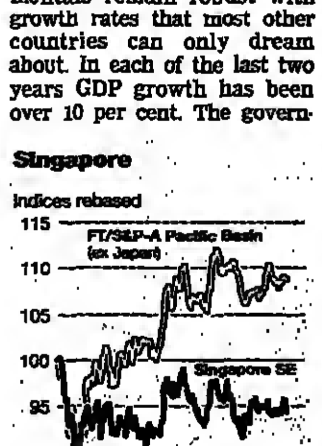
Visitors to Singapore find it clean, green, efficiently run, and just a trifle boring. Those in search of adventure in east Asia usually prefer the more haphazard conditions of Hong Kong, Bangkok, Jakarta or Kuala Lumpur.

The feeling is shared by brokers and fund managers. The Singapore stock market is well run and regulated but a relatively dull performer. When the indices in Hong Kong or Kuala Lumpur leap upwards, Singapore does a gentle bop. When regional rivals go into free fall, Singapore slowly floats downwards.

"Safe and steady, that is Singapore," says a local broker. "It is a good safe haven, but if you are looking for excitement and volatility, go to Thailand or Malaysia."

After a dip at the beginning of the year, Singapore bas stayed within a fairly narrow path for mnch of the last nine months: the Straits Times Industrial index is down 5.6 per cent on the end of last year.

Singapore's economic fundamentals remain robust with growth rates that most other countries can only dream about. In each of the last two years GDP growth has been over 10 per cent. The government, concerned about overheating, has tightened the reins slightly. Growth for 1995 is officially projected at between 7 and 8 per cent.



Source: FT Extel

But the stock market is not a reflection of overall economic activity in the island republic. The economy is dominated by foreign, unlisted multinationals and state-controlled concerns. Some state entities, such as Singapore Telecom, have been partially privatised. Next year the government proposes to list the state power company. But many concerns which play a significant role in the economy are still outside the stock market.

"Most of the big listed companies have performed well this year and results have been more than satisfactory," says Mr Eugene Marais of Baring Securities, Singapore. "Bnt their performance is not driving the market. What is really holding Singapore and other regional markets back is the global liquidity issue. When will funds swing away from the US and back to Asia?"

Traditionally, over-the-counter-trades on Malaysian stocks have accounted for a large slice of the Singapore market's turnover – at times running as much as 60 per cent of the daily average. Kuala Lumpur recently announced it would be fully scripless by the end of next year, meaning an end to tbe over-the-counter-trading from Singapore.

A complex system to allow the cross-border share trading to continue has been launched. However Singapore's retail investors have their hands firmly in their pockets.

Most analysts predict greater activity in coming months. Singapore's efforts to persuade more foreign companies to list locally have so far met with only limited success. However, Singapore is likely to benefit from corporate nervousness in the run np to China's move into Hong Kong in 1997. Brokers forecast continuing strong growth for Singapore property stocks. The local banks, cash rich and with ambitious plans for regional expansion, are also looked on favourably.

But for now attention is not focused on developments at home. Instead, investors are waiting for a fresh fund-filled wind from across the Pacific.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 9 1995								FRIDAY OCTOBER 6 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (82)	184.31	-0.1	172.42	116.65	135.29	160.60	-0.3	4.04	184.44	172.98	117.46	136.83	181.13	191.01	157.95	165.44
Austria (26)	182.43	1.2	170.67	115.66	133.91	133.84	0.2	1.33	180.18	168.98	114.75	133.67	133.68	199.28	167.48	180.28
Belgium (35)	194.14	0.6	181.62	123.09	142.51	139.17	-0.5	3.75	192.93	180.94	122.87	143.13	138.83	201.12	162.02	162.02
Brazil (28)	147.13	-1.0	137.64	93.28	107.99	259.49	-1.0	1.63	148.59	139.38	94.63	110.23	262.12	–	–	–
Canada (100)	144.45	-0.3	135.13	91.58	106.08	139.70	-0.0	2.58	144.84	135.84	92.24	107.45	139.70	150.83	121.81	136.54
Denmark (33)	282.45	1.1	264.24	179.08	207.33	211.06	0.0	1.54	279.48	262.12	177.99	207.34	211.00	295.99	236.81	243.51
Finland (25)	247.78	-1.4	231.80	157.10	181.88	222.37	-2.2	1.44	251.22	235.62	159.99	185.38	227.35	278.11	171.13	177.09
France (100)	171.18	0.0	160.12	108.52	125.64	133.10	-1.2	3.30	171.22	160.58	109.04	127.02	134.69	181.17	157.79	163.63
Germany (59)	159.69	1.0	149.40	101.25	117.22	117.22	-0.1	2.03	158.15	148.33	100.72	117.33	117.33	167.74	135.15	135.15
Hong Kong (55)	383.82	-0.1	359.07	243.35	281.74	380.97	-0.1	3.81	384.14	360.29	244.65	285.00	381.36	391.00	277.40	381.20
Ireland (16)	246.67	0.2	231.05	156.58	181.29	215.62	0.0	3.51	246.47	231.18	156.97	182.85	215.63	249.46	195.34	207.35
Italy (58)	73.54	-1.4	68.80	46.63	53.98	88.27	-2.0	1.72	74.58	69.95	47.50	55.33	90.08	82.71	65.45	77.71
Japan (483)	146.78	-0.7	137.31	93.06	107.74	93.06	-1.2	0.82	147.84	138.66	94.15	109.68	94.15	184.82	136.95	158.08
Malaysia (108)	478.12	-0.9	447.29	303.13	350.96	466.97	-0.9	1.75	482.58	452.61	307.34	358.02	471.43	583.02	398.16	553.91
Mexico (18)	1032.38	-4.0	965.80	654.54	757.80	7382.05	-3.9	1.88	1075.29	1008.49	684.80	797.73	7682.97	2302.03	647.81	2189.12
Netherland (19)	258.70	0.3	242.02	164.02	189.90	186.78	-0.8	3.49	257.82	241.81	164.19	191.27	188.36	263.89	207.80	207.78
New Zealand (14)	78.64	0.6	73.56	49.86	57.72	62.96	0.5	4.53	78.18	73.31	49.78	57.99	62.67	88.49	68.56	70.03
Norway (33)	232.32	0.3	217.34	147.29	170.53	196.81	-0.8	2.15	231.69	217.30	147.55	171.69	198.33	243.78	182.92	195.05
Singapore (44)	376.73	0.0	352.44	238.85	276.54	247.80	-0.2	1.66	376.87	353.46	240.01	279.60	248.09	414.26	313.94	382.68
South Africa (45)	360.66	1.0	337.40	228.66	264.73	287.81	0.7	4.06	357.11	334.93	227.43	264.93	285.78	363.22	281.06	313.97
Spain (38)	145.49	-0.3	136.11	92.24	106.80	135.26	-1.1	4.18	145.92	136.85	92.93	108.25	136.80	160.51	124.10	137.18
Sweden (48)	307.88	-0.2	287.84	195.08	225.85	316.66	-1.3	1.98	308.41	289.25	196.41	228.81	320.93	320.43	220.11	220.11
Switzerland (41)	219.88	1.2	205.70	139.41	161.40	155.48	0.5	1.71	217.24	203.74	138.35	161.18	154.88	218.89	158.39	161.06
Thailand (46)	168.43	-0.2	157.57	106.79	123.63	164.05	-0.2	2.48	168.69	158.21	107.43	125.15	164.43	–	–	–
United Kingdom (207)	225.05	-0.3	210.54	142.69	165.20	210.54	-0.5	4.06	225.66	211.84	143.71	167.41	211.84	227.07	187.07	193.82
USA (504)	236.93	-0.7	221.66	150.22	173.91	236.93	-0.7	2.48	238.56	223.75	151.93	176.99	238.56	239.87	182.33	185.83
Americas (650)	216.54	-0.7	202.57	137.29	158.94	181.62	-0.7	2.47	218.07	204.52	138.88	161.78	182.89	–	–	–
Europe (739)	194.20	0.1	181.68	123.13	142.55	163.09	-0.8	3.09	193.98	181.93	123.54	143.91	164.07	199.02	163.04	166.25
Nordic (139)	284.34	-0.2	266.00	180.27	208.71	246.49	-1.2	1.78	284.81	267.12	181.38	211.29	249.48	295.02	213.83	213.93
Pacific Basin (832)	157.40	-0.8	147.25	99.80	115.54	103.53	-1.0	1.26	158.40	148.56	100.88	117.52	104.59	173.52	145.93	167.41
Euro-Pacific (1571)	172.64	-0.3	161.51	109.45	126.72	126.06	-0.8	2.12	173.13	162.37	110.26	128.44	127.12	178.33	154.73	166.80
North America (604)	231.21	-0.7	216.30	146.59	169.71	230.42	-0.7	2.49	232.77	218.31	148.24	172.68	231.95	230.83	178.86	182.78
Europe Ex. UK (532)	173.48	0.3	162.30	109.99	127.35	137.14	-0.8	2.54	172.91	162.17	110.12	128.28	138.02	178.46	146.45	147.92
Pacific Ex. Japan (349)	258.44	-0.2	241.78	163.86	189.71	225.99	-0.3	3.25	259.00	242.91	164.95	192.15	226.72	266.72	211.18	256.01
World Ex. US (1762)	173.65	-0.3	162.45	110.10	127.46	129.68	-0.8	2.17	174.14	163.33	110.90	129.18	130.66	178.73	155.42	168.77
World Ex. UK (2059)	189.91	-0.5	177.66	120.40	139.40	155.82	-0.9	2.08	190.78	178.93	121.50	141.54	157.03	191.32	163.46	171.43
World Ex. Japan (1783)	218.97	-0.3	204.85	138.83	160.73	203.71	-0.8	2.78	218.73	206.06	139.93	163.01	204.98	220.98	179.95	183.61
The World Index (2266)	192.98	-0.4	180.53	122.35	141.65	160.63	-0.8	2.29	193.83	181.79	123.44	143.80	181.84	194.25	165.92	173.42

PLEASE NOTE: Owing to technical difficulties the FT/S&P Actuaries World Indices table for 9/10/95 and 6/10/95 did not appear in certain editions. All enquiries should be made to Ray Sheehan, Financial Times on 0171 873 4997. CONSTITUENT CHANGE WITH EFFECT 10/10/95: Deletion: Lin Broadcasting (USA). Latest prices were unavailable for this edition. Market closed 9/10/95: Canada.

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